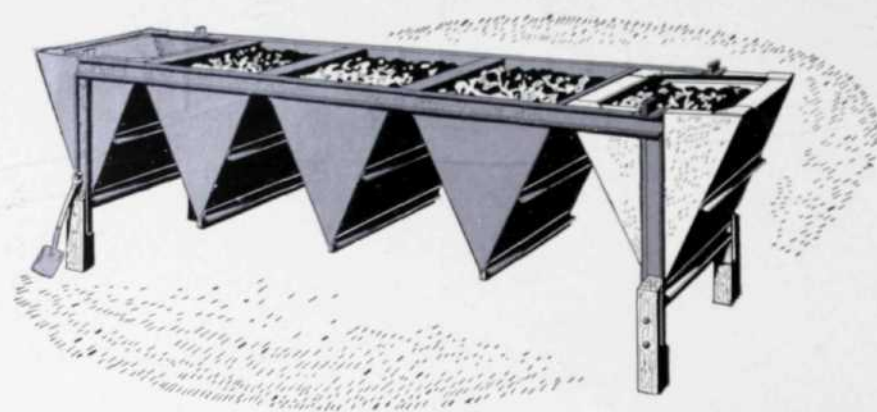


NATION'S BUSINESS



January
1940

The Achilles Heel of National Defense • Are Auditors Hard of Hearing? • Freight Rates with a Southern Accent • The Case for Insurance



NEWS ITEM: NOTHING HAS HAPPENED FOR SEVEN YEARS

Know what makes the coal cars on our railroads moth-eaten before their time?

Sulphur.

It's in most coal. It gets wet, out in the open. And then it does its dirty work.

Now for a contrast: Pictured are five hoppers. The four on the left are Alcoa Aluminum. All five have stood in one exposed location for over seven years. Each year we refill the four right-hand hoppers with nice fresh sulphur-laden coal just to see what happens.

And *nothing happens* to the Alcoa Aluminum

hoppers, year after year. Railroad executives please note.

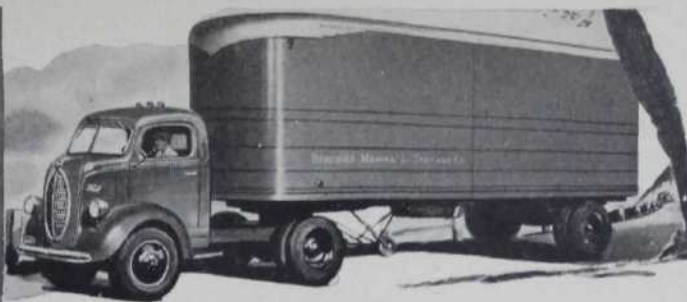
Nature made Aluminum resistant to many common sources of industrial corrosion and to the attack of many chemicals commonly used in the process industries. Research has made Aluminum alloys strong. Nature made Aluminum friendly to food.

Thing that bothers us is why more executives don't put this combination of strength and resistance to corrosion to work. It's a money-saving combination. Aluminum Company of America, 2125 Gulf Building, Pittsburgh, Pennsylvania.



ALCOA · ALUMINUM

What do you Haul?



FURNITURE? There's a Ford Truck to do the job. If your van is a semi-trailer, we recommend the 101-inch Cab-Over-Engine Tractor. Its unusually short wheelbase reduces the over-all length of the tractor-trailer combination, and provides easy handling—even in city traffic. Choice of 95 or 85 hp V-8 engine.



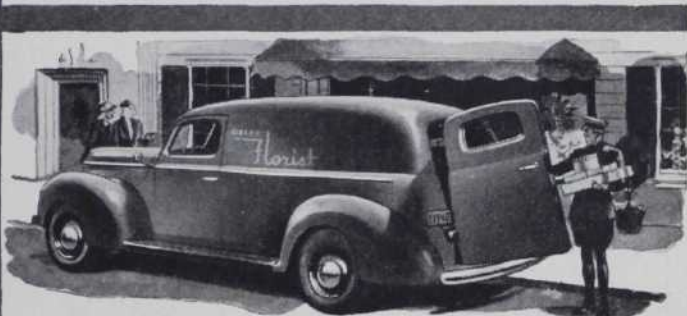
LUMBER? There's a Ford Truck to do the job. For long lengths of plank and millwork, the 158-inch Regular Platform has unusually large load space. In congested areas, the 134-inch C.-O.-E. Platform offers large load space, combined with the unit's ability to turn in a very small radius.



NEWSPAPERS? There's a Ford V-8 Commercial Car to do the job. The 112-inch Pick-Up is ideal for quick, economical delivery in both city and open country. It offers a large welded steel body with many refinements in design and engineering. And you have your choice of either 85 or 60 hp V-8 engine.



HOGS? There's a Ford Truck to do the job. For a few head, the 122-inch One-Tonner Stake is a small truck with large load area. For greater numbers, or larger animals, the 134-inch and 158-inch Regular Stake Trucks are money-savers. Chassis can also be equipped with your own stock racks.



FLOWERS? There's a Ford V-8 Commercial Car to do the job. For light, door-to-door delivery, you'll want the economical 112-inch Sedan Delivery or Panel. Both offer the choice of 85 or 60 hp V-8 engine. For heavier delivery, such as potted plants, you may prefer the $\frac{3}{4}$ or One-Ton Panels.



EARTH? There's a Ford Truck to do the job. Famous the country over is the Ford V-8 134-inch Dump Truck. Hauls $1\frac{1}{2}$ cubic yards. Choice of two hydraulic hoists—direct or arm lift. Also the choice of 95 or 85 hp V-8 engine. Rugged, dependable body. 2-speed axle optional at extra cost.

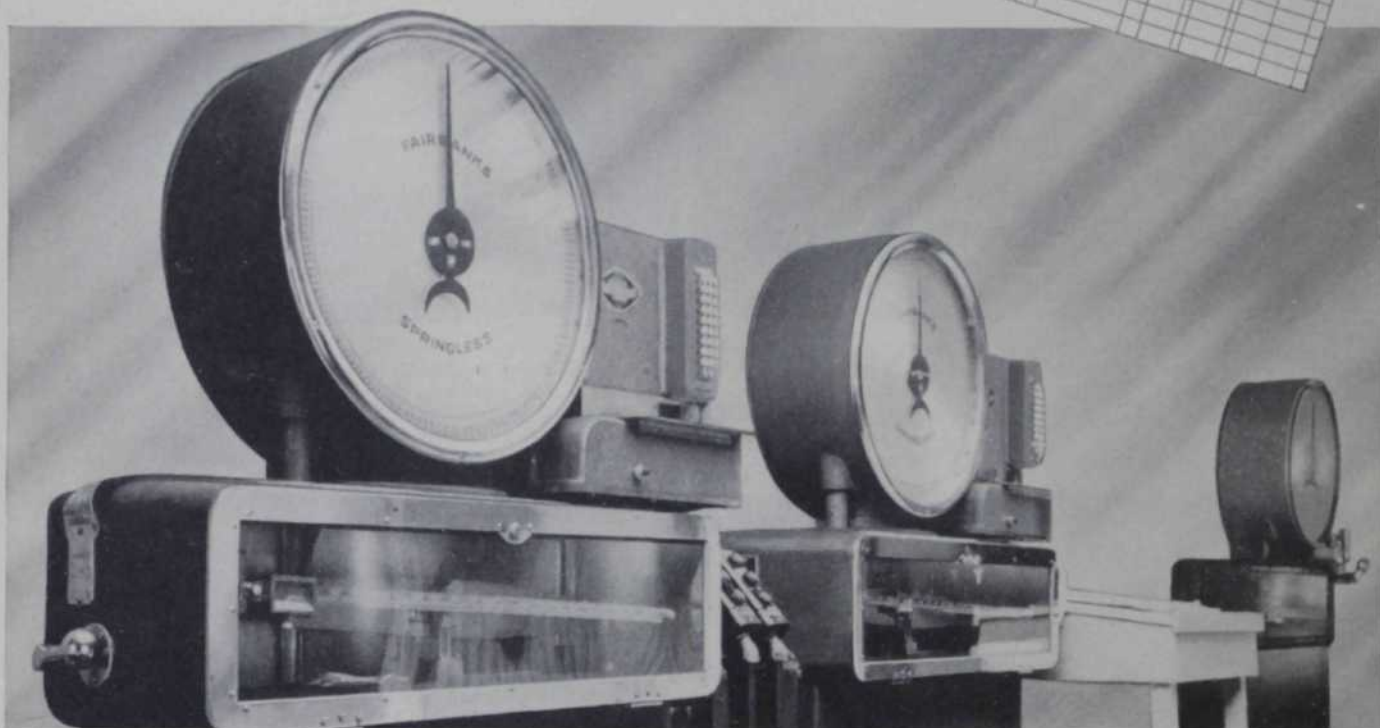
THESE are just a few of the jobs Ford V-8 Trucks and Commercial Cars are doing with traditional Ford dependability and economy. More than 95% of all hauling can now be handled by Ford V-8 units. The 1940 line includes six wheelbases—42 body and chassis types. In the Ford line you can find the exact truck or commercial car built to do *more work, in less time, at lower cost ON YOUR JOB.* Arrange with your Ford dealer for an actual "on-the-job" test to prove it.

FORD MOTOR COMPANY, BUILDERS OF FORD V-8 AND MERCURY CARS, FORD TRUCKS, COMMERCIAL CARS, STATION WAGONS, TRANSIT BUSES. Dual wheels, heavy-duty and spare tires, auxiliary springs (standard on Dump Truck), 2-speed axle and other special equipment shown available on regular and C.-O.-E. trucks at extra cost. Special equipment also available for $\frac{3}{4}$ and one-tonners and commercial cars.

FORD V-8 TRUCKS

Scales that see

... and keep books!



7045-SA40.75

● It costs money to be inaccurate with "tonnage"—and it costs more money to be s-l-o-w.

In one of the most modern coal preparation plants in the world, Elkhorn Coal Company at Wayland, Kentucky, you will find a battery of the most modern scales in the world handling "tonnage" at high speed.

These Fairbanks Scales with "electric eyes" shut off flow to hoppers automatically when the pre-set weight is obtained. A printed record is made of each operation automatically, and an ingenious keying system enters the tonnage to the credit of the miner who mined it.

To make errors in weighing well-nigh impossible, to fit weighing speedily into the production flow, to protect alike the buyer, seller, and all whom weighing affects is the aim of this, the most experienced and most modern organization of scale-makers. There is a Fairbanks Scale for every weighing need. Its facilities and its products are available at your call.

Fairbanks, Morse & Co., Department 120, 600 South Michigan Avenue, Chicago, Illinois. Branches and service stations throughout the United States and Canada.

FAIRBANKS-
The Greatest Name in Weighing
MORSE



SCALES



Have we done a job?
Say listen!

MAYBE you remember, back last fall, when folks were asking if the railroads were in shape to handle an emergency increase in traffic.

Well, here's the answer.

Between August and October we had the biggest increase in traffic ever recorded in so short a stretch of time.

Did we handle it? Snappy's the word. That increase was handled without congestion, delay or a hitch of any kind.

The fact is—when the railroads loaded the peak movement of 861,000 cars in the week ending October 21, there was still

a daily average of 64,299 surplus cars in good order and ready for duty.

And remember that the railroads that did this job have been through ten years of tough sledding.


All this shows that railroad men know their business. It proves again that the railroads have the

capacity and the ability to handle their job.

Above all, it spotlights the fact that the railroads deserve the square deal they ask for—a fair break in legislation and regulation—and the opportunity to earn a living.

This isn't the first peak load the railroads have been called on to handle. It won't be the last. They ought to have a fair chance to keep themselves ready for any emergency.

What's needed now is a national policy of equal treatment for all forms of transportation.



"See America"
FOR \$90

Start from your home town now on a Grand Circle Tour of the United States—east coast, west coast, border to border—go by one route, return by another—liberal stopovers—for \$90 railroad fare in coaches—\$135 in Pullmans (plus \$45 for one or two passengers in a lower berth). Get the full facts from your ticket agent about the greatest travel bargain in history!

Association of **AMERICAN RAILROADS** Washington, D. C.

It takes a TRUCK ENGINE to Stand the Gaff!



When ditches need digging no sissies need apply. It's a job for he-men, with seasoned heart and muscle and with callouses in the right places. The same goes for hauling!

A passenger car engine is called on to deliver from a *fourth* to a *half* of its full power most of the time. The average heavy-duty TRUCK engine delivers from *three-fourths* to *all* of its power just about all of its working time.

In terms of delivered energy the output of a TRUCK engine is perhaps *four times as great* per mile of travel. If the average car is disposed of at 50,000 miles, hundreds of hard-working trucks should be entitled to retirement in a few months' time. Nothing could be further from the minds of either the builder or the owner of the good truck.

Thousands of International Trucks

have traveled upwards of *two or three hundred thousand miles*, every mile a *truck mile*.

The automobile tests many a fine quality in an engine, but the TRUCK puts up with a *great deal more!* For more than a generation the builders of International Trucks have built ALL-TRUCK trucks—and TRUCKS ONLY. This will give you some idea as to why men buy more heavy-duty Internationals than *any other three makes combined*.

Remember that International sizes range from $\frac{1}{2}$ -ton to powerful 6-wheelers. See any International dealer or Company-owned branch.

INTERNATIONAL HARVESTER COMPANY
(INCORPORATED)

180 North Michigan Avenue

Chicago, Illinois

INTERNATIONAL TRUCKS

Shake Hands with Our Contributors

THERE is reason enough to raise a question when Government abdicates its functions in favor of organized labor in civil cases, but when national defense is impeded by labor's dicta, it would seem that more than simple questioning is involved.

Herbert Corey tells how the Army and Navy have been hamstrung in obtaining needed equipment and in one case actually refused permission to take their own property out of an industrial plant making airplane parts while a strike was in progress.

Justin W. Macklin is First Assistant Commissioner of the United States Patent Office whose work has brought him into close contact with the development and effects of labor saving machinery. His case examples add weighty evidence to the contention that mass production and technological improvement have improved the lot of the worker in both wages and the number of jobs available.

R. L. Van Boskirk is on the staff of NATION'S BUSINESS. His report on the construction industry is based on comment and views expressed by leaders in the industry during the National Chamber's Construction Conference held in Washington last month.

C. A. Crosser is secretary of the Des Moines, Iowa, Bureau of Municipal Research. He studied the methods employed by those American cities which have the lowest bonded debts and then worked out a plan by which his own city can cut its debt in half within a ten year period.

C. E. Widell is traffic manager of the Tennessee Products Corporation of Nashville. His company manufactures and ships such products as pig iron, coke and insulation material. He writes from the viewpoint of a Southerner with practical experience in handling a variety of shipping problems.

Johnson Heywood has been writing for NATION'S BUSINESS and other business magazines, on management, economic and technical subjects since 1919. Among the books he has written in collaboration with others are: "Taking the Guesswork Out of Business" and "Production Planning and Cost Accounting."

The Case for Insurance is a specially prepared supplement by the staff calling attention to the traditional services which have been performed by insurance companies in a political atmosphere of free enterprise. Ominous developments in public policy which threaten to curtail or break down the insurance company's usefulness and service to society are pointed out as a warning to business men who have failed to note the trend toward governmental control of this basic industry.

Contents for January 1940

	PAGE
Achilles Heel of National Defense	15
By HERBERT COREY	
Labor Saving Machines Make More Jobs	18
By JUSTIN W. MACKLIN	
Construction Industry's Inventory	22
By R. L. VAN BOSKIRK	
How Low Debt Cities Get That Way	23
By C. A. CROSSER	
Freight Rates with a Southern Accent	25
By C. E. WIDELL	
Are Auditors Hard of Hearing?	30
By JOHNSON HEYWOOD	
The Case for Insurance	33
The Regular Features . . .	
Through the Editor's Specs	7
For 1940: Let's Clear Up the Fog	13
By MERLE THORPE	
Leaders in the March of Business	28
No Business Can Escape Change	67
Marketers' Conning Tower	68
The Map of the Nation's Business	70
By FRANK GREENE	
Washington and Your Business	74
By HERBERT COREY	
Man to Man in the Money Markets	94
By CLIFFORD B. REEVES	

NATION'S BUSINESS • CHAMBER OF COMMERCE OF THE U. S.

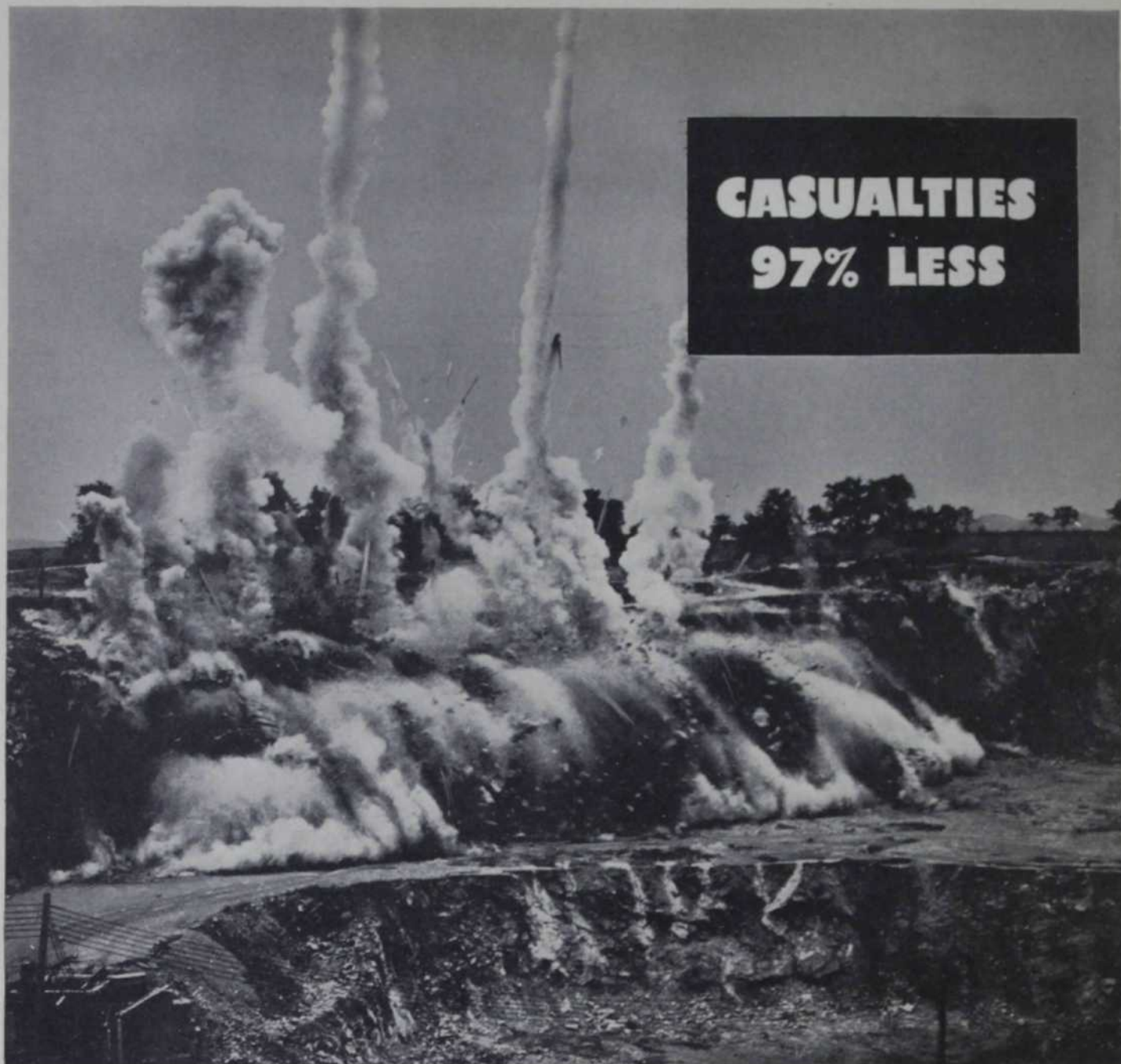
VOLUME 28

Merle Thorpe, Editor & Publisher

NUMBER 1

Managing Editor, RAYMOND C. WILLOUGHBY; Business Manager, LAWRENCE F. HURLEY; Director of Advertising, ORSON ANGELL.

GENERAL OFFICE—Washington, U. S. Chamber Building. BRANCH OFFICES—New York, Graybar Bldg.; San Francisco, 333 Pine Street; Dallas, 1101 Commerce St.; Chicago, First National Bank Building; Atlanta, Chamber of Commerce Building; Canadian representative, 530 Board of Trade Building, Montreal, Quebec. As the official magazine of the Chamber of Commerce of the United States this publication carries authoritative notices and articles in regard to the activities of the Chamber; in all other respects the Chamber cannot be responsible for the contents thereof or for the opinions of writers.



**CASUALTIES
97% LESS**

The illustration is of a dynamiting operation in a Southern quarry, insured by American Mutual

Just as dynamite behaves for men who know its whims, so will an industry's inherent dangers withhold their fury for men who know the industry's habits. In a quarry where sincere efforts have been made for years to reduce accidents to workers, American Mutual — with mining engineers on its staff of safety consultants—reduced in three years the man-hours lost due to injuries by 97%.

When American Mutual first came into the picture through workmen's compensation insurance, its engineers noticed lax methods of safety supervision. Operating men, willing to promote safety, hadn't the proper training. American Mutual's job was to institute an educational campaign equipping superintendents and foremen to recognize unsafe practices, apply corrective measures.

DIPLOMAS WITH DIVIDENDS

Because American Mutual's engineers know the mechanics of industry as well as safety principles the campaign was successful. As an example of their strategy, they stimulated workers' interest in accident prevention through a first aid class, conducted by an American Mutual engineer holding an instructor's certificate from the U. S. Bureau of Mines. Today, almost 300 workers hold U.S. Bureau of Mines Certificates in First Aid.

Each certificate is a token of the profits this firm receives—through safety consultants who know the policyholder's industry. Lower insurance costs and increased operating efficiency result from safety plan-

ning. And the cash dividend, earned regularly by all policyholders on practically all forms of personal and business insurance, has saved at least 20% on premium costs.

Read how other firms have profited three ways with American Mutual. Write for a free copy of "How 12 Companies Made \$1,247,299.96"; address Dept. X-6, 142 Berkeley Street, Boston, Mass.



get 3 profits with
American Mutual

AMERICAN MUTUAL LIABILITY INSURANCE COMPANY, Home Office: BOSTON, MASS. Branches in 59 of the Country's Principal Cities

ABUNDANCE



MORE than 40 million tons of Fuel Satisfaction roll annually out of the vast coal fields served by the Norfolk and Western Railway. With production and coal loadings now at the highest levels in the history of the railroad, the Norfolk and Western continues to handle all shipments with efficiency and dispatch. An even larger volume of coal tonnage can be handled without strain upon the Railway's abundant facilities.

Fuel Satisfaction—the unexcelled coal mined along the Norfolk and Western Railway—moves safely in modern N. & W. cars, over many miles of smooth, heavily ballasted track; drawn by powerful locomotives; safeguarded by modern, automatic signals, and guided by experienced railroad personnel. Through the Norfolk and Western Railway's coordinated transportation service, an abundant supply of clean, all-purpose coal—Fuel Satisfaction—is available anywhere at any time. Specify Fuel Satisfaction on your next order and get dependable coal, promptly delivered.

The Norfolk and Western maintains a competent staff of trained fuel experts who will be glad to tell you more about this superior coal and to assist in the solution of any fuel problem. Just call or write: Coal Traffic Department, Roanoke, Va., or any of the Railway's Coal Bureaus located at the following addresses: 833 Chamber of Commerce Building, Boston; 819 Marquette Building, Chicago; 904 Dixie Terminal Building, Cincinnati; 1161 Union Commerce Building, Cleveland; 1740 Book Building, Detroit; 1105 Reynolds Building, Winston-Salem, or any representative of the Railway's Freight Traffic Department.



NORFOLK AND WESTERN
Railway
CARRIER OF FUEL SATISFACTION

Through the

EDITOR'S SPECS

Youth in a fog

ACCORDING to a poll of young men and women conducted by the Y.M.C.A., 80 per cent of youth thinks that ability is no longer the chief asset in getting along in the world. If this is a true reflection, it is nothing less than shocking. Because the notion is just as fallacious as it would have been 30 or 100 years ago.

This feeling that it's more important to know the right people than to know how to do something well has been growing all too fast. The psychology of achievement narrows down to the technique of winning friends and influencing people.

The old-fashioned success story of the poor boy who endured hardships, worked long and hard and finally won to the top is sneered at as horse and buggy stuff. Success nowadays means a meteoric rise resulting from some brilliant idea for a radio program, movie scenario, popular song, novel or amazing invention. And when an ambitious young man fails to "click" with his titanic idea he decides the world is against him in a conspiracy against merit.

The youth's elders might persuade him to set a longer-range objective and work toward it with steadier patience but, for a counter influence, that is just now the great kindler of illusion. This is the carefully cultivated conception that society owes certain things to its youth—a new set of inalienable rights having nothing to do with equality of opportunity.

Social clubs debate the question, "What should government do for youth?" In our palmy days the question would have been, "What should youth do for government?" That is the contrasting spirit of two ages.

Youth out of the fog

PERHAPS you've been one of those who say that Americans have gone soft, that they no longer display the old-fashioned virtues of initiative and guts. A good many symptoms point that way, we'll admit. But for a good antidote to that kind of pessimism consider the cases of two salesmen

who were awarded medals by the Beata Quota Fraternity last year.

Jimmie Smith sold insurance in Oklahoma City. On the very eve of a big drive for business by his company he was in an automobile accident and his jaw was broken. His doctor told him that meant going to the hospital and being laid up for a spell. But Jimmie had plans in mind and he went ahead with them, jaw or no jaw. He stayed on the job with a broken jaw for two weeks, closed the business he had lined up, won the contest his company was putting on—then went to the hospital and had his jaw placed in a plaster cast. Foolish, maybe, but he did it.

Runner-up to Jimmie was not so spectacular but probably just as heroic. He had been a successful executive until his business failed and threw him onto the man market in middle age to start all over. The only job he could get was that of routeman for a laundry on a run-down, unprofitable territory. Of course he felt superior to the job. His fellow routemen sensed it and gave him the cold shoulder. But he stuck to the job, made his route pay, won the respect of the other men and the regard of his employer. Here was moral courage and adaptability of a high order.

Look around and you'll find counterparts of these two men in your own community. They are the unsung heroes of the age.

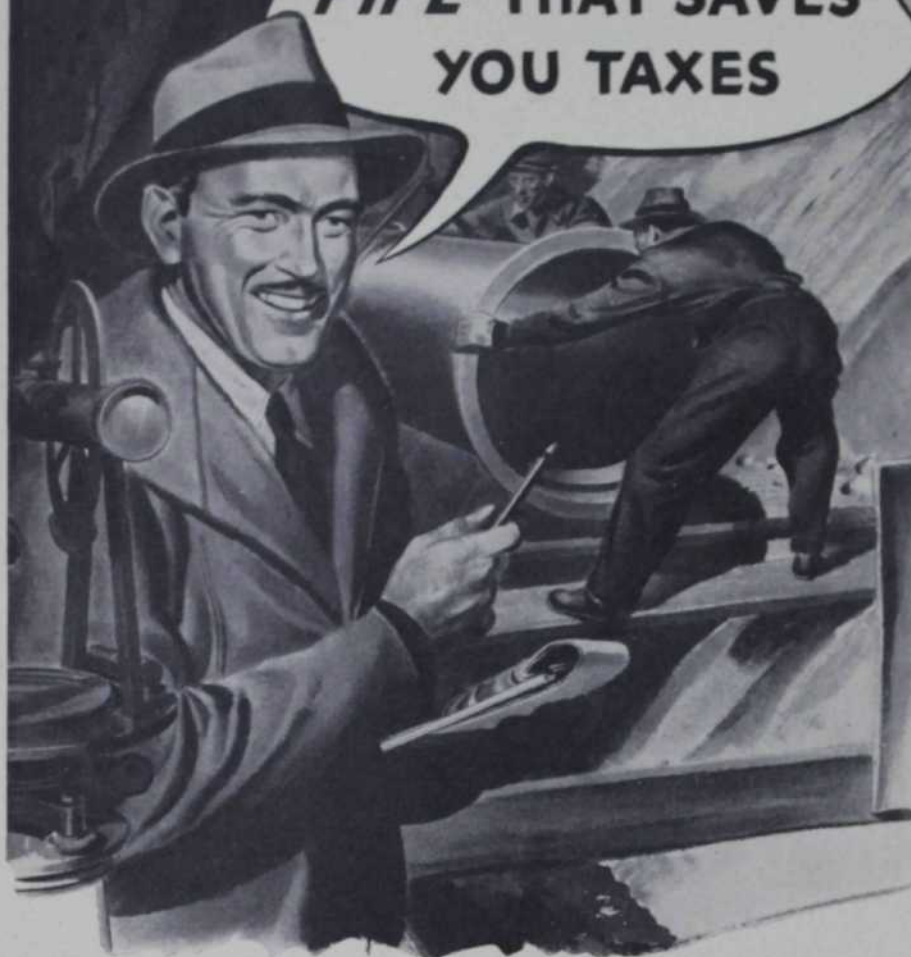
Fiscal rope walking

THE PROBLEM is how to cut last year's deficit in half and yet spend two billions for a new pump priming—national defense program.

Washington fiscal experts explain that it is solved—by setting up two budgets. Budget A will include all "normal" expenditures and will be only about \$2,000,000,000 more than expected revenue instead of last year's \$3,500,000,000 to \$4,000,000,000 deficit. Budget B will be for the extra \$500,000,000 to prepare the country for war and to provide another installment of the Administration's depression remedy.

The idea doesn't make the budget

WE'RE LAYING THE PIPE THAT SAVES YOU TAXES



"YOU taxpayers own the water mains in this town. Suppose you had to replace all the mains that have been in service for 40 years or more. It would cost you taxpayers a pile of money. But don't worry—your mains are all cast iron pipe—the pipe you don't need to replace—the pipe with a known useful life of *more than a century*—the pipe that saves you taxes."

* * *

Water mains represent about one-third of this country's 5-billion-dollar investment in public water supply systems. More than 98% of these mains are cast iron pipe with a *known* useful life at least double the *estimated* life of other water main materials. Because the

tax-saving, through deferred replacements alone, is enormous, cast iron pipe is known as Public Tax Saver No. 1. It is the only ferrous metal pipe, practicable for water, gas and sewer mains, which rust does not destroy. Made in diameters from 1 1/4 to 84 inches.



Unretouched photo of a cast iron water main in service for 108 years and still saving tax-dollars for the citizens of St. Louis, Mo.

CAST IRON PIPE

PUBLIC TAX SAVER NO. 1

THE CAST IRON PIPE RESEARCH ASS'N, T. F. WOLFE, RESEARCH ENGINEER, PEOPLES GAS BLDG., CHICAGO

balance but it's something of a balancing feat at that.

The price of a dole

"CAN ANY principle of state sovereignty stand up for long against billions of dollars?" asks the *Arkansas Gazette*.

Well may the point be raised in a commonwealth that for more than 100 years has professed its devotion to the principle that a state is something more than a zone of federal imperialism. Whether it be located North or South of Mason and Dixon's line, no state can long be a state that is not self-supporting, that calls on the nation to feed its indigent, to maintain its schools, to pay its doctors, to support its hospitals, to build its roads, to guarantee its farmers a living, to pension its aged.

Can any one be so blind as not to see that these beneficences all have their price? Social Security payments are held up in Ohio because the price of federal dominance has not been paid. Oregon is threatened with the same medicine if it holds to a state labor disputes bill objectionable to the dictocrats in Washington. The benefits of a national flood relief act are refused to Vermont unless it surrenders all state rights to power development of the rivers to be controlled. An Alabama federal aid project for higher education is held up until something is done about a state law protecting private enterprise against government competition.

If this point be granted, then only one question remains. Are the people of these once-sovereign states willing to surrender their identities and their ancient liberties for a mess of security pottage?

Revenue-milking contest

NEARLY everybody is concerned about interstate trade barriers—and no wonder. It's a confusing, wasteful and uneconomic situation.

But why hasn't some one examined the cause of this customs war between the states? If that were done, we believe it would place a large share of responsibility on the federal Government. The states are in a mad competition among themselves and with the national Government for sources of revenue to finance all the new social services they are attempting to render. The federal Government with its myriads of hidden taxes and its revolutionary reform program was an unwholesome example certain to be imitated. Taxes on goods and services from neighboring states aren't hidden but they have the advantage of not being paid directly by the citizens of states that levy them. Therefore

they lose no votes. And they "protect" the states' revenue producers from outside competition.

State officials have watched the Government at Washington grabbing one after another of the best revenue-yielders and milking them vigorously. They saw what a political all-day sucker the social service gag is and put it to work. But it costs money and they had to exercise their ingenuity to invent new ways to tax. The result is what Governor Stark of Missouri calls a "Balkanized America."

One-way bargaining

LABOR leaders and social healers have yelled themselves hoarse about the iniquities of company unions. A frequent charge is that, through membership of its supervisors, the company dominates these organizations and thus sits on both sides of the collective bargaining table.

Now the C.I.O. is trying to organize foremen and supervisors in the Chrysler plants, "in accordance with the provisions of the National Labor Relations Act." The company insists that this move is part of an effort to dictate the complete control of production by the unions as they already control employment. They want to sit on both sides of the conference table and at the head of the table, too.

Employers might be still more hospitable and invite these bargainers to "sit in" when an operating deficit is to be made up.

Screwy arithmetic

A W.P.A. educational specialist says things are pretty bad in Arkansas. Arithmetic is no longer taught in its public schools, to prevent sharecroppers from learning how to figure how much money is due them at the end of the season, she avows.

We didn't hear about that when we were in Arkansas. But here in Washington we've heard that a lot of the government folks were taught a peculiar sort of arithmetic. They know how to subtract and divide but not how to add and multiply. And those who know their higher mathematics have a strange axiom that the whole is greater than the sum of all its parts.

Platform for consumers

ARTICLE I of the consumer's bill of rights, says Mrs. Sadie Orr Dunbar, president of the General Federation of Women's Clubs, "is our desire to exercise real freedom of choice in buying goods and services."

The only way yet devised by which the buyer can exercise real freedom of choice is the competitive system of



"An ounce of prevention is worth a pound of cure," has proved itself a sage saying in Hartford Steam Boiler's seventy-two years of safeguarding power equipment. Its observance has saved industrial-plant owners millions of dollars.

Because Hartford has found that thorough inspection of boilers, engines, turbines, generators, etc., is never so costly to industry as accidents—in physical damage and business disruption—more of its energies are judiciously devoted to accident prevention than to any other one phase of its business.

Over 400 specially trained field inspectors, directed by an engineering staff whose primary interest is the study of means for preventing power-plant accidents, comprise Hartford's "front-line defense" against disaster in the establishments of its clients.

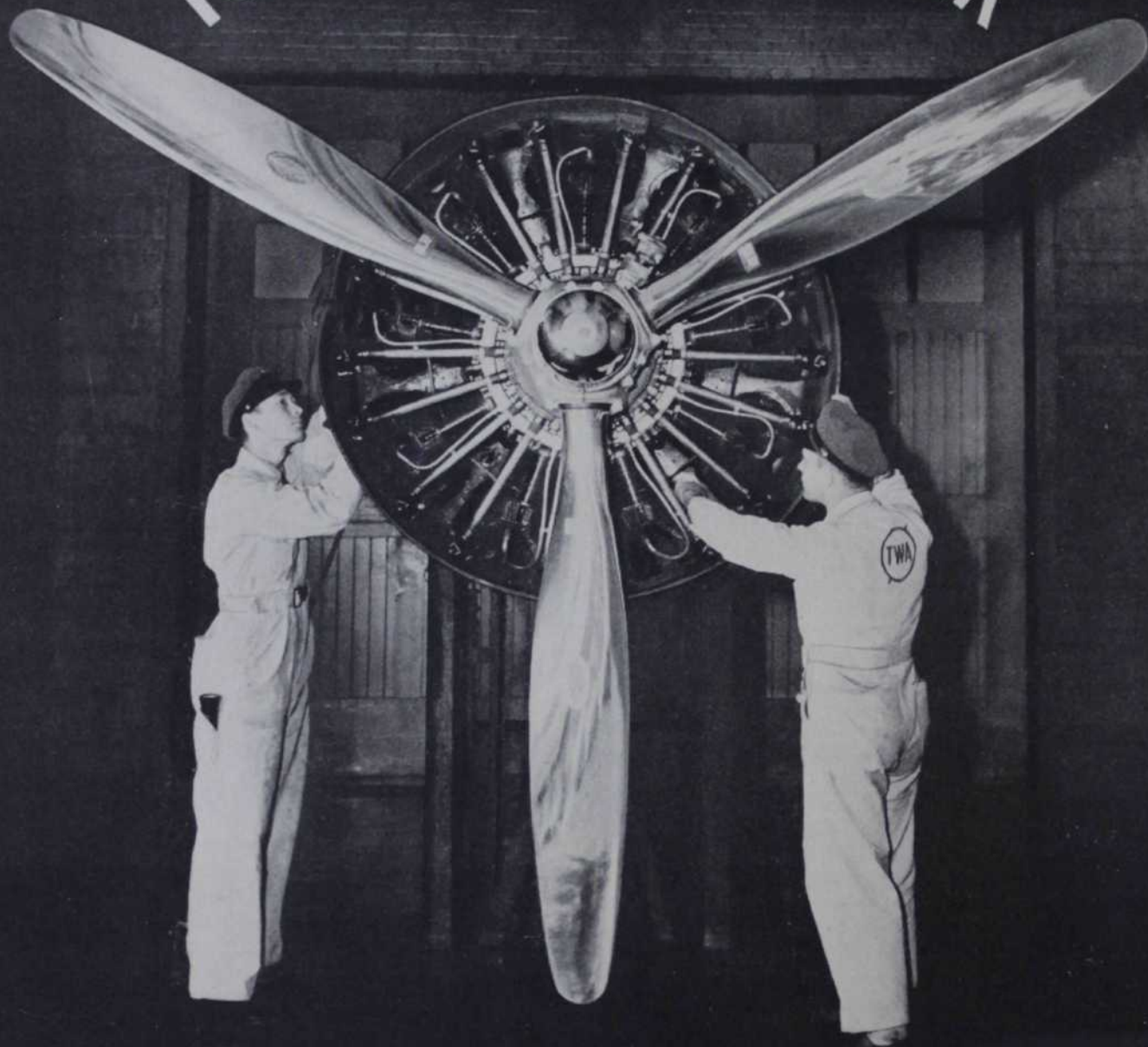
As a result of specialization in a work so vital to industry, this Company has been chosen to safeguard a preponderant part of the nation's insured power equipment—and to shop-inspect 90% of its industrial-power boilers during fabrication.

• It costs no more to place your power-plant insurance with power-plant insurance specialists! Ask your agent or broker for details.

**THE HARTFORD STEAM BOILER INSPECTION
AND INSURANCE COMPANY** HARTFORD,
CONNECTICUT



TODAY'S WINDJAMMER



FASTER, FARTHER, SAFER fly the wings of America... mighty ships of the skyways, born in wind tunnels on the ground.

Texaco is proud to be allied with modern Aviation's progress.

More scheduled airline mileage within the U. S. and to other countries

is flown with Texaco than with any other brand.

In addition, 2279 supply points from coast-to-coast make Texaco quality lubricants conveniently available to the far-flung aviation industry, and to all other industries as well. Investigate this modern service for modern industry!

THE TEXAS COMPANY

—in all
48 States



free enterprise undiluted by all such fancies as collectivism, cooperatives, cartels and fixed prices. Under free competition, the consumer is the monarch of the markets. Under pure collectivism, she is just a standee waiting in line to take what she is given. Every step away from free competition is a step in the direction of regimented living.

William Henry Chamberlin relates the pathetic protest of an old woman who stood shivering in a long line before a cooperative store in Russia. The representative of the cooperative made eloquent speeches about the future electrification of Russia but failed to supply the store with kerosene, she said.

Exit the chef de cuisine

ONE OF a number of things we've never pretended to understand is why Americans find the English language so inadequate to express the fullness of their minds that they must mix it with French. Our objection is not to French but to any mongrel language, such as the linguistic hash on restaurant menus. Most of the sophisticates who mouth it not only don't know French, they haven't mastered their own mother tongue.

These remarks with malice aforethought explain our joy at reading that the New York State Hotel Association is out to deport alien words from bills of fare. At its recent annual banquet in the Hotel Astor in New York City every item of food was described in the language of Shakespeare and Will Rogers. No *à la's* or *au's* were permitted. Vegetable soup was not disguised mysteriously as *potage à légumes* and no *demi-monde* sipped *demitasse*.

A bill of fare cluttered up with half-breed French is like a book sprinkled with French words and phrases untranslated. The restaurant operator like the writer has been too ignorant or lazy to translate the Gallic terms or else used them to parade his sophistication.

Count your blessings—of debt

ATTENTION of the National Resources Planning Board (see "Statistics on Order," this department for December) is invited to a state balance sheet for 1936 just issued by the state of New Hampshire. Its revelations should be studied closely by our economic medicine men. Here are a few of them in brief:

Business in New Hampshire was conducted at a net loss of \$9,625,000.

Citizens, as individuals, saved \$13,761,000, but the loss by business added to the state's share of government spending more than wiped this out and left New

Hampshire as a whole poorer by \$4,000,000 at the end of the year.

The cash income received by New Hampshire people is being redistributed by taxation, but the result is less income for both upper and lower groups.

The state's biggest single liability is its share of the national debt. This amount—\$127,000,000—is nearly half the total of all bonds and notes outstanding from local and state governmental units in New Hampshire. It is three times the demand bank deposits in the state and more than half of its savings deposits.

"Share the wealth" is a potent political slogan only until the people discover that it's really debt and poverty that are being shared.

Of cabbages and kings . . .

THE TREASURY DEPARTMENT has turned down an application from Sasabe, Ariz., for \$500 to erect a new post office to replace the present shanty. "Take \$1,000 or nothing," was the answer.

SECRETARY MORGENTHAU told reporters he was "not worried" about further borrowing to cover deficit spending. Questioned about the growing national debt, now very close to the statutory limit of \$45,000,000,000, he made this cryptic remark:

We've got to do something if the boys are going to eat—and the boys are going to eat.

WHEAT GROWERS paid to the Federal Crop Insurance Corporation 6,759,000 bushels of wheat as premiums to insure last year's crop. One-fourth of those insured received 9,461,000 bushels as indemnity for failure to reach their insured yields. The reserve is thus a minus 2,700,000 bushels. A matter for the Appropriation Committees in Congress.

Iron Age reports that a pamphlet entitled "Major Characteristics of the Steel Industry," prepared for the T.N.E.C. steel hearing by the Department of Justice, contained more than 200 errors of fact.

THE CLEVELAND Relief Commission warned 2,000 automobile owners among Cleveland relief clients that they would be required to turn in their licenses.

A MEMBER of the Cleveland Indians Baseball team who earned \$10,000 last season but has no job in winter has applied for Social Security unemployment compensation of \$15 a week.

AN OFFICIAL opinion written for the Wage-Hour Administration holds that the law does not limit football writers from working more than five days a week.

THE WAGE-HOUR Administration is making a careful study to determine whether or not the harvesting of Christmas trees, mistletoe and holly is seasonal work.

Mr. Executive!
This should interest you

YOU CAN GET A \$100 LOAN
IF YOU CAN PAY BACK
\$6.41 A MONTH

You, the most employed person, probably find that you must sometimes borrow to continue. If you have credit, you are eligible for a loan. You get the money you need promptly and conveniently. No credit record is made of transactions. You get the money you need promptly and conveniently. No credit record is made of transactions. You get the money you need promptly and conveniently. No credit record is made of transactions.

You have probably seen the above advertisement in your local newspaper. It was *not* written for you although occasionally an executive *does* borrow at Household. You can easily get bank credit when you need a loan to meet an emergency. But it is not so easy for the wage-earner. When the clerk or shop worker in your plant needs extra funds—to pay for a long illness or serious accident, for instance—he has to borrow elsewhere.

But where? From your company? It's probably against company policy. From a bank? Banks usually require security he doesn't own or co-signers he can't readily get. From his friends? Friends need all they make for their own expenses.

Where wage-earners can borrow

It is Household Finance's job to provide cash credit to wage-earners. At Household the responsible worker can borrow on his character and earning ability and repay in small monthly installments. Thus he gets cash in a lump sum for the emergency and a repayment schedule permitting him to clear up his indebtedness without sacrifice of living standards. Last year this plan helped over 600,000 men and women to get medical and dental service, make repairs, keep insurance in force, pay taxes—solve money problems of many kinds. The table below shows typical loans and repayment schedules.

AMOUNT OF CASH LOAN	AMOUNT PAID BACK EACH MONTH Including All Charges				
	2 mos. loan	6 mos. loan	12 mos. loan	16 mos. loan	20 mos. loan
\$ 20	\$ 10.38	\$ 3.63	\$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 7.66	\$ 6.41
150	77.82	27.23	14.62	11.49	9.62
200	103.77	36.31	19.50	15.32	12.83
250	129.71	45.39	24.37	19.15	16.04
300	155.65	54.46	29.25	22.98	19.24

Above payments figured at 2 1/4% per month and based on prompt payment are in effect in New York and nine other states. Due to local conditions, rates elsewhere vary slightly.

To help families avoid unnecessary debt Household is conducting an educational program in money management and better buymanship. Borrowers learn how to save on daily purchases and get more out of limited incomes. The booklets used in this work have been adopted as texts in hundreds of schools and colleges.

Wouldn't you like to know more about this service for your employees? The coupon will bring you the story without obligation.

HOUSEHOLD FINANCE CORPORATION and Subsidiaries

Headquarters: 919 N. Michigan Ave., Chicago
"Doctor of Family Finances"

one of America's leading family finance organizations, with 267 branches in 170 cities

HOUSEHOLD FINANCE CORPORATION, Dept. NB-A
919 N. Michigan Ave., Chicago, Ill.

Please send me booklets about Household's family money service without obligation.

Name

Address

City State

Saved from Silicosis

—by the G. T. M.'s rubber "windpipe"



The accordion-pleated suction hose attached to this stone-cutter's chisel is his safeguard against silicosis — the choking death that comes from inhaling abrasive dust. It acts as an artificial windpipe, swallowing the deadly dust before it endangers his lungs. Flexible, abrasion-resisting, non-kinking, it is specially designed for stoneworking service by the G. T. M.

— Goodyear Technical Man.
Known as Goodyear Exhaust

Surfacers Hose, it is widely used today throughout the granite industry — because it so long outlasts other types of hose equipment used in combating the silicosis peril! Perhaps you could save with rubber correctly designed and applied by the G. T. M. To consult him, write Goodyear, Akron, Ohio, or Los Angeles, California — or phone the nearest Goodyear Mechanical Rubber Goods Distributor.

THE GREATEST NAME IN RUBBER
GOOD YEAR



For 1940: Let's Clear Up the Fog

TEN YEARS AGO the nation, going forward at breakneck speed, stumbled. If the mishap had not occurred at a time when, for 40 years, goods had been produced in quantities as never before and distributed so widely among the people, the bump would not have been so painful. Boom times and depressions have always been the rule since Time began. Each individual has his days of exuberance followed by a let-down; each wild night has its morning after. Groups of these same individuals make up a state, which likewise experiences mental and spiritual ups and downs. Both recover from the dumps sooner or later and respond with energy and enthusiasm to the beckoning finger of Hope. The climb starts again, slowly and with caution, becomes faster until judgment is once more thrown to the winds, and another boom is on. Then the inevitable tumble.

It had occurred 18 times before to the people of the United States. But always they had tightened their belts, paid the price of misguided enthusiasm in sacrifice and hard work and had come back. This time, after ten years—the longest period in our existence—we are no better off, and there are those who believe we shall never regain the prosperity we once enjoyed.

What does a sober analysis show of the course we have pursued?

Denied our two chickens in every pot and two cars in every garage, we became angry and looked about for some one other than ourselves to blame. The political "outs" were quick to indict the "ins" as the villain. This has always been good hokum; politics takes the credit for prosperity, politics should take the blame for depression.

The "outs" convinced us as to what should be done. They promised: "an immediate and drastic reduction of governmental expenses . . . of not less than 25 per cent;" a federal budget annually balanced; a sound currency; the "removal of government from all fields of private enterprise."

We went to the polls and overwhelmingly ap-

proved this platform; we chose the hard, traditional American way.

We declared at the same time that we would have none of the plan of another party and its candidate, Mr. Thomas: "A federal appropriation of \$5,000,000,000 for immediate relief," "another \$5,000,000,000 for public works...slum clearance, decent homes for workers," "a shorter day and week without reduction of wages," "free employment agencies," "minimum wage laws," and so on. We repudiated the easy way.

The two roads are not parallel. As Mr. Bernard Baruch says, we cannot progress while we are neither one thing nor the other. We flounder, half-clinging to self-reliance, half-hanging upon political guidance and sustenance, half-voluntary, half-compulsory.

The traditional free method of exchanging products of hand and brain has been amended until political boards control almost every step of industrial and commercial operation. Change, "reform," uncertainty of future changes, have slowed down the machinery of trade. Thousands of new rules are promulgated daily; 153,000,000 reports were required of business men last year; thousands of federal agents scour the country; uncertainty is the only certain rule.

We may hope and pray for a speeding up of our trading machinery to a point where it will again produce an \$80,000,000,000 income. We can't have it if political control continues to deprive management of freedom of decision and action. We enjoy the sadistic pleasure of seeing managers on the rack, and at the same time enjoy the harvest of management's accomplishment. Either one or the other. It is the people's choice.

If we expect speed and hill-climbing again, we'd better check the road map, choose the route, and make sure the brakes aren't set too hard.

Mere Thorne



There's a **SUPER-CITY** right across the street!

Every city in America has been blended into one big Super-City *right across the street from you.*

Long Distance did it. You can pick up your telephone and reach any point in Super-City quicker than you could walk three blocks!

Super-City is brimming with new business. Your telephone will help you find it—help you sift the good prospects from the poor ones.

You can follow up a promising lead in Boston or close a profitable order in New Orleans—all in a matter of minutes.

Whether you're buying, selling, collecting, or delivering, Long Distance telephone service multiplies your ability to get places and get things done—in direct, *personal* discussion with the men who make decisions.



Achilles Heel of National Defense

By HERBERT COREY

THE GOVERNMENT has permitted unions to stop production of defense materials in perilous times—would it let them do the same in war time?

IN TWO recent instances the American Government has abdicated its functions in favor of organized labor.

In both instances the national defense program was impeded. The Government needed certain articles. In one case, the production of planes was within a few hours of a complete stop. In the other, the taxpayer must pay \$400,000 more for army trucks than he need have paid. It is probable that the Army will not be able to get the motor equipment. In that event, the large scale maneuvers planned for May and June cannot be held.

No question is here raised of labor's loyalty. It will be assumed that labor is as loyal as the law or the clergy. But there is the inescapable fact. No matter how important the fulfillment of a contract may be to the Government, or how grave the emergency, it is possible for organized labor to hold up production and suffer no penalty. No man or group of men may be penalized for engaging in a strike or a slow-down process through which the Government is injured. There is no law. An employer might be punished for locking his men out under such circumstances. The men may walk out at will. It is apparent that a weakness in our political system stands revealed. Now that the world has gone haywire, the facts should be considered.

Louis Ruthenberg recently presented the phase of the situation in an address at Evansville, Ind.

Volumes might be written about the handicaps which will be encountered when we seriously attempt to mobilize industry for purposes of defense. The National Labor Relations Act and its administration by the National Labor Relations Board have had such dramatic and far-reaching ef-



GEORGE LOHR

The Government has tried friendship—must it now employ force to prevent delay of defense measures by unions?

fects that amendment and modification of enforcement policies probably are imminent. As we think about the great powers that have been delegated to our national administration, let us not overlook the fact that the same power which, under certain political conditions, arbitrarily reduces hours of labor and increases the hourly wage of labor can increase the hours and reduce the wage.

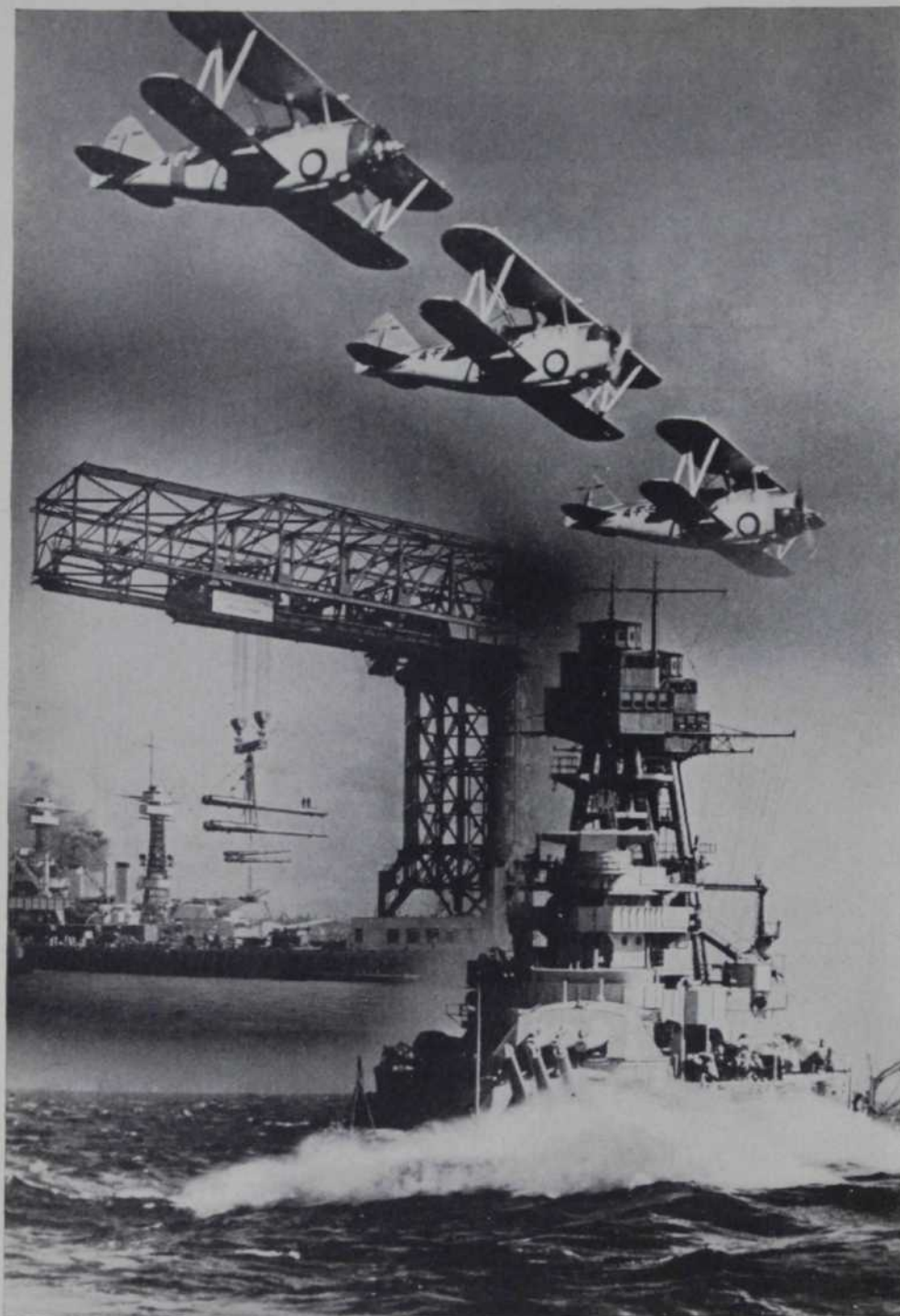
Delay in defense plans

THE facts in the two cases to be cited here—the only cases of injury to the national defense program as yet reported—are these:

The Bohn Aluminum and Brass Casting Company of Detroit had been making 90 per cent of the castings required

in making airplanes for the Government. The plane building industry had been suddenly thrown into high gear as a result of the decision of Congress to create a great new air force to be divided between the Army and the Navy. Several companies were also building planes for shipment abroad on contract, in anticipation of the lifting of the embargo. Planes were on the assembly line in almost every plane factory and were being put together as rapidly as possible. Local 208 of the United Automobile Workers, affiliated with the C.I.O., called a strike in the Bohn plant.

So far as known the men of Local 208 had no intention to interfere with the



The Navy could go into battle tomorrow and give a good account of itself, but it still lacks special equipment

progress of the defense program. The charge has frequently been made that the C.I.O. is partially controlled by Communists, but there has been no hint that any political factor was operative in the strike in the Bohn plant. The airplane factories were able to continue production for a time with the castings on hand or in transit, but the end was in sight. The Labor Department sent a representative from Washington, but under orders to act only as a conciliator. He did not emphasize the part the Government was being forced to play in the dispute or the injury threatening the airplane program.

"This is a purely labor matter," was the position taken by the Labor Department. "Army and Navy keep out."

The Army and the Navy did keep out at the beginning. The picket lines were held taut. Officers of the Army and Navy were not permitted to go through them to consult with officials of the plant or to inquire into conditions within the shop walls. The day when airplane production would be completely stopped was growing nearer. Such a stoppage would put an indefinite but considerable number of men on the plane assembly lines out of work, it would interfere with the Gov-

ernment's training program and would prevent the substitution of the finest planes in the world for the murderous old crates in which some of the Army and Navy pilots still fly. The Navy located other plants where the needed castings could be made. But the castings could not be made without the patterns.

Picketing Navy patterns

"LET us go through the picket line and get out patterns," said the officers of the Navy to the labor leaders. "They are our patterns, you know. The Government owns them. While we are about it we might as well pick up the castings which have been made before the strike was called and which have been inspected. That will be fair to every one. We are sure you have no desire to interfere with the defense program."

"You can't go through the picket line," said the officials of Local 208. "Nobody can. Nobody can take any patterns or castings out of the plant."

The officers of the Navy were on what is known as a spot. They had been specifically warned by the Labor Department that this was a purely labor dispute and they did not want to get into a dispute with Secretary Perkins and the labor leaders who might see things her way. They reported the refusal by Local 208 to Acting Secretary of the Navy Charles Edison and that gentleman made what is titled in diplomacy as a *démarche*. Which is to say a step.

He called the attention of Local 208 to his department's serious need for the material owned by the Government. Mr. Edison seems to have confined his representation to the plight of the Government aircraft factory at the Philadelphia navy yard. He was refused sharply. When these facts came to the ears of Congressman Hoffman of Michigan he asked Acting Secretary Edison if they were true as reported and Mr. Edison replied at some length. The particularly pertinent paragraph follows:

The inspector requested that the C.I.O. director instruct his representative in charge of the picket line at the corporation's plant No. 2 to allow a representative (of the Navy Department) to pass through the picket line to pick up Government owned patterns and ship them on a Government bill of lading. The regional director of the C.I.O. sent three representatives of union local 208 to discuss the removal of the patterns with the inspector of naval material. The union representatives were given full access to the files of the navy contracts. At the end of the discussion, the union representatives stated that, as the strike situation stood, their answer was emphatically "no," and that they would not let patterns or castings be removed. No further action was taken by the Navy Department to remove the patterns and castings.

The defeat of the Navy was as complete as that of Admiral Cervera in the Spanish War of half a century ago. "No further action was taken." There is a reasonable probability that some questions will be asked in Congress about this incident, because there is reason to believe that the Army did not share Navy's defeat at the hands of Local 208, C.I.O. There is no documentary or other evidence to support this assumption, but it is known that the plane assembly lines were about to close down for lack of material, that other factories had been found in which the castings could be made if they had the patterns and that Army needed the planes even more than Navy did. At all events the patterns were taken through the picket line, other factories began to make the castings, and the situation was saved. Navy shared the castings with Army and production has gone on peacefully ever since.

This incident would have been of little importance if all the world were at peace. The delay suffered by the Government in working out its armament plan would then have been accepted as a mere inconvenience. It is pointed out in responsible quarters, however, that the executive and legislative branches of the Government considered the present emergency so grave that hundreds of millions of dollars were appropriated for various construction purposes and that the need for speed in carrying out this program was repeatedly emphasized.

No forced labor

NO one has suggested that any form of Force Bill should be enacted, under which workers might be compelled to carry on at their jobs, no matter how hostile might be their relations with their employers. It is regarded as probable, however, that a law may be framed as a safeguard against injury to the defense program during an emergency. Such a law might assure its rights to labor and yet prevent a breakdown in production by forbidding strikes or slowdowns.

In the 1939 revision of the Industrial Mobilization Plan, as prepared by Assistant Secretary of War Louis Johnson and Assistant Secretary of the Navy Charles Edison, the question of dealing with labor is delicately handled. This plan would not, of course, become operative unless Congress put it in the form of law, but it has been assumed that its recom-

mendations will be followed in the main. The plan and its predecessors have been closely followed by Congress through the appropriate committees and is based on a thorough consideration of the mess which followed the hasty conversion of our industrial machinery into wartime production in 1917. Nowhere in the 1939 plan is there a hint that labor will be recruited in war except on a voluntary basis:

In general, peacetime procedure and methods should be modified only in case the results received therefrom fail to meet the requirements of the war.

There is a plainly stated warning, however, that "the exercise of varying degrees of government control over essential raw materials, labor, power, industry, capital and transportation" may be necessary—to assure effective support for our armed forces while protecting industry and the civilian population from unnecessary inconvenience and privation.

The surrender of all individual rights in wartime is undesirable, if it can be avoided, but the assumption of additional individual responsibilities will be essential to the efficient coordination

of a national effort. It should be the Government's mission, as stated in The Plan,

to provide the machinery for the efficient and *voluntary* distribution of labor to industry and agriculture during war by maintaining close cooperative relations between the Selective Service, War Labor and the War Resources Administration.... Industries should be classified as war industries and non-war industries.... Labor requirements should then be determined for each of these classes, with primary attention directed toward furnishing adequate supplies of labor for the more important industries, thus keeping the job and the worker together as far as circumstances permit.

Labor in wartime

THE implication that, in wartime, the needs of the Government come first and those of the individual a bad second could not be more plainly stated and remain an implication. In fact this was demonstrated during the First World War. We were a rich and debtless nation then, full of scrap and enthusiasm, and our industrial affairs were conducted in something of the spirit of a

(Continued on page 98)



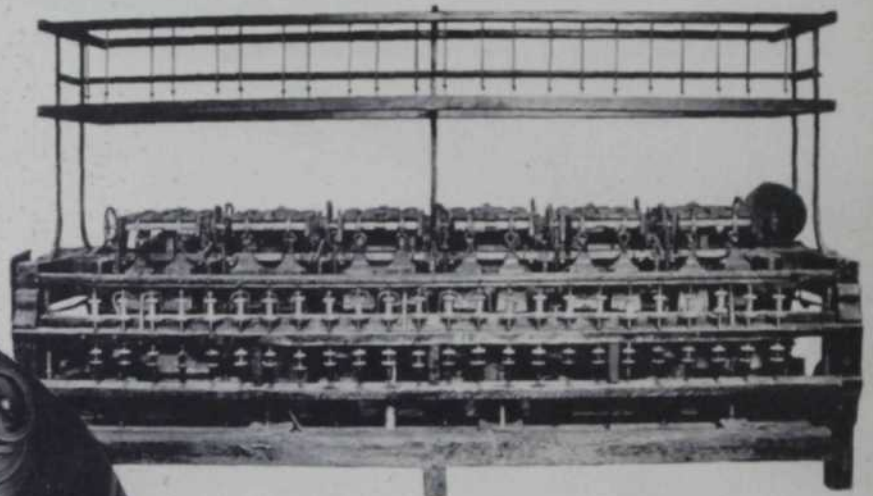
If organized labor should close down the plants, the Army would not get its trucks in time for summer maneuvers

Labor Saving Machines

By JUSTIN W. MACKLIN
as told to Duncan I. Hasell

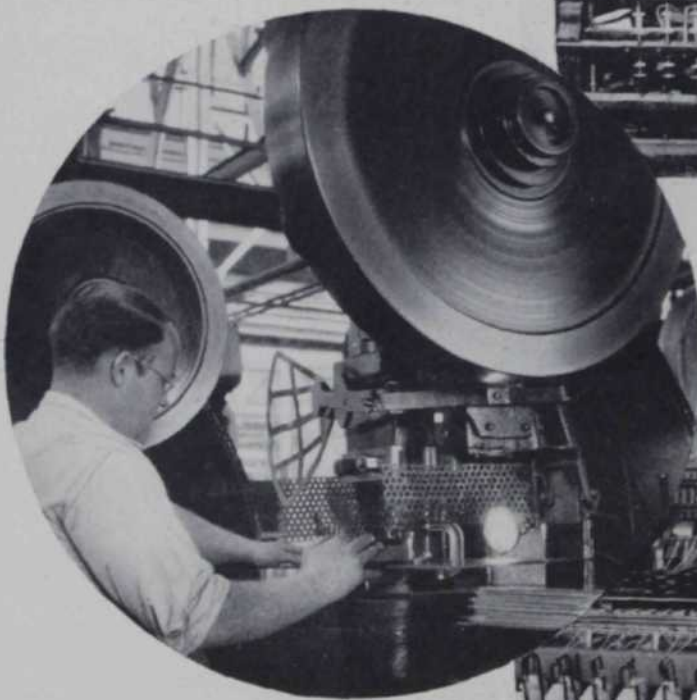
AS A CONFIRMED MEMBER of The Sidewalk Superintendents Club—in good standing—I stopped recently to watch excavation work for an \$8,000,000 office building.

Forty feet below the street level, a blue-shirted Irishman was delighting a gallery of self-appointed inspectors by his deft manipulation of a steamshovel. The machine bit up a ton of earth, swung a 90-degree arc, and spewed it into a waiting



U. S. NATIONAL MUSEUM

Samuel Slater's mechanical weaver forecast the beginning of America's industrial leadership



ERING GALLOWAY

Mass production of radio parts made possible by technology

truck. Three mouthfuls filled the truck. The Irishman closed the scoop and gently patted the load into place. The truck drove away. The whole operation consumed probably three minutes.

"It's things like that," observed a shabby bystander, "that's keeping 10,000,000 of us out of work today."

A week or so later I was sitting on the veranda of a friend's summer home overlooking Chesapeake Bay, taking the world apart with several Senators and a commissioner of an important government



KEYSTONE

This modern slubbing machine in a textile plant is one of four machines that now does work of Slater's weaver

Make More Jobs

THE First Assistant Commissioner, U. S. Patent Office, says that machines are labor's best friends. They multiply productivity, increase wages and jobs



Various industries related to the automotive field employ far more workers than were employed by the horse and buggy group



In addition to the thousands of workers making automobiles, some 11,000,000 make a living in industries dependent upon motor cars



There are more jobs for garage men than there were for stable hands

agency. The heat of Washington was forgotten. Iced drinks stood on the table, and an altogether peaceful week-end seemed in prospect.

Conversation flowed smoothly until somebody, figuratively and literally, tossed in a monkey wrench by mentioning "technological unemployment."

Now that's a subject on which I have some definite views, and, as it turned out, so did my distinguished friends. To a man they agreed that so-called labor-saving devices are responsible for most of the unemployment we are suffering today. The machine, they argued, must be shackled and its production limited before men can return to work in appreciable numbers.

Machines and breadlines

ALL shared the belief that the by-product of modern industrial inventions is the breadline. This theory is reflected in numerous proposals to ban the issuance of patents for more "labor-saving" devices, to curtail the operation of existing ones, and to penalize them with taxes. Several such measures have been proposed in Congress.

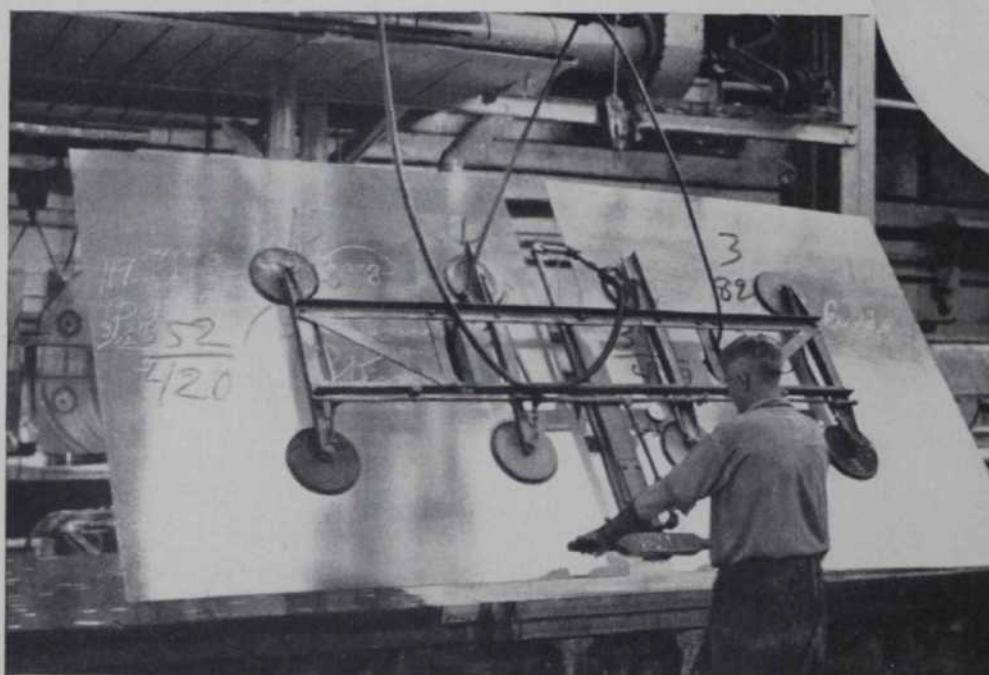
But is the machine a monster, devouring millions of American wage earners? Or is it the primary cause of past high employment, and our brightest hope for renewed prosperity?

My answer is that I have yet to find one instance where the machine, taken over the long pull, has failed to create,



NATIONAL COAL ASSOCIATION

This conveyor belt is part of loading machinery in a mechanized mine where production has been tremendously magnified



LIBBY-OWENS-FORD

The "suction frame" a new machine for handling glass in an industry that employs three times as many men as when glass was hand blown

rather than destroy, jobs in an industry as a whole. I base this conclusion on more than 25 years of rather intensive research.

Let's trace the effect of labor saving devices on the labor market back to early times. Technological arguments probably arose in the time of the Pharaohs, or certainly long before Leonardo da Vinci anticipated so many of our modern inventions. But, for the earliest definite figures, we must turn to the England of 1769. British Government statistics governing weaving—one of the first industries to be mech-

anized—show that, in 1769, it took 320 men to weave as much cloth as one man could weave in 1840 when improved technique was adopted. Along in 1855 two enterprising gentlemen named Arkwright and Colmant invented a crude, but effective, weaving machine. As a result one man could then weave as much cloth as 700 could weave in 1769.

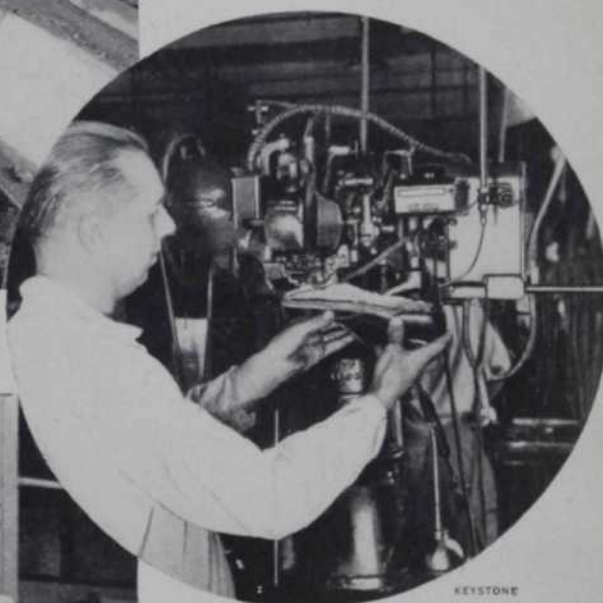
Dire predictions were made as to the fate of the industry.irate weavers, fearing the loss of their jobs, threw their wooden shoes into the machines and committed other acts of sabotage.

But what happened?

In 1830, long before the weaving machine was invented, the English textile industry employed some 195,000 persons. Between 1830 and 1914, a period marked by intense mechanization, the number of English weavers increased from 195,000 to 689,000!

"Sure," say critics of the machine, "but the population increased in those years."

Certainly the population increased, from 23,028,000 in 1830 to 45,221,615 in 1914, but, while the population only



KEYSTONE

Increased employment followed improved shoe machinery

doubled in this period, workers brought into the textile industry, as the direct result of labor saving machinery, increased three and a half times.

The explanation is simple, and it holds true for the increased employment that almost every technological development has brought since that time:

Mechanization lowers costs drastically; as costs are lowered, more goods are sold, and as more goods are sold more and more workers are required to make, service and distribute them.

English Government figures show the same trend in all of their 14 engineering trades where labor saving machinery was most widely employed. Between 1871 and 1911, as these trades became more and more mechanized, workers in them increased 260 per cent, while the population rose only 13 per cent.

But we are only historically interested in England. Let us see what happened over here.

England, as we have seen, had effective spinning machinery but the Government prohibited exports of machines or plans, under penalty of heavy fines and imprisonment. They wanted

to keep us dependent on the product of their mills.

Samuel Slater, a young mechanic, had worked in an English factory before emigrating to America, and had some knowledge of the Arkwright and Colmant machine. He attempted to reproduce the device over here.

Working by candlelight in the cold back room of a tailor's shop at Pawtucket, R. I., young Slater, after many heartbreaking setbacks, finally developed a workable mechanical weaver. From that modest beginning, America climbed to world industrial leadership.

More machines more workers

WE have achieved mass production and mass consumption to a greater degree than any other country. We have done this by developing and perfecting industrial inventions and technological practices.

But what bearing has this intensive mechanization of industry had on opportunities for employment?

Before considering specific cases, let us review American employment as a whole since 1870, when we first began generally to mechanize our industrial technique.

The population of America, between 1870 and 1930, grew more rapidly than

—383 persons for every 1,000 of the population.

By 1930, after mechanization had been developing for 30 years, we had 398 workers for each 1,000 of population, or a net gain of 15 workers per 1,000, made in a period of the most intense technological development this country has ever known.

The following table, compiled from United States Census figures, shows how the percentage of gainfully employed has grown steadily as more and more labor saving machinery has been introduced:

Year	Percentage of Population gainfully employed
1870	32.4
1880	34.7
1890	37.2
1900	38.3
1910	39.6
1920	39.8
1930	40.7

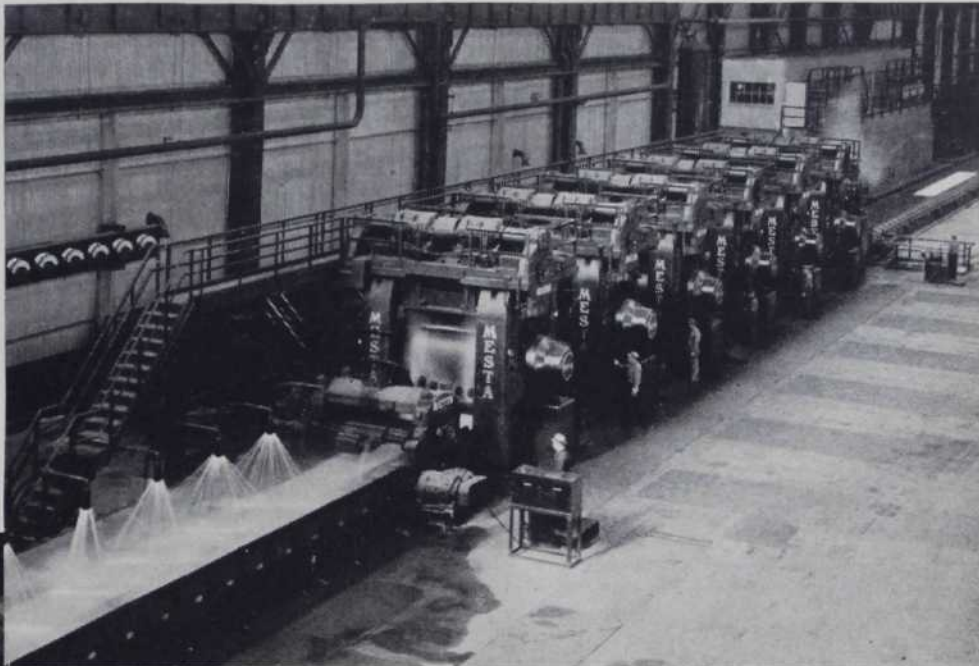
Between 1900, the beginning of our Machine Age, and 1930, when mass production through labor saving machines hit an all time high, we gained 20,000,000 jobs, while our population increased only 47,000,000. We gained
(Continued on page 86)



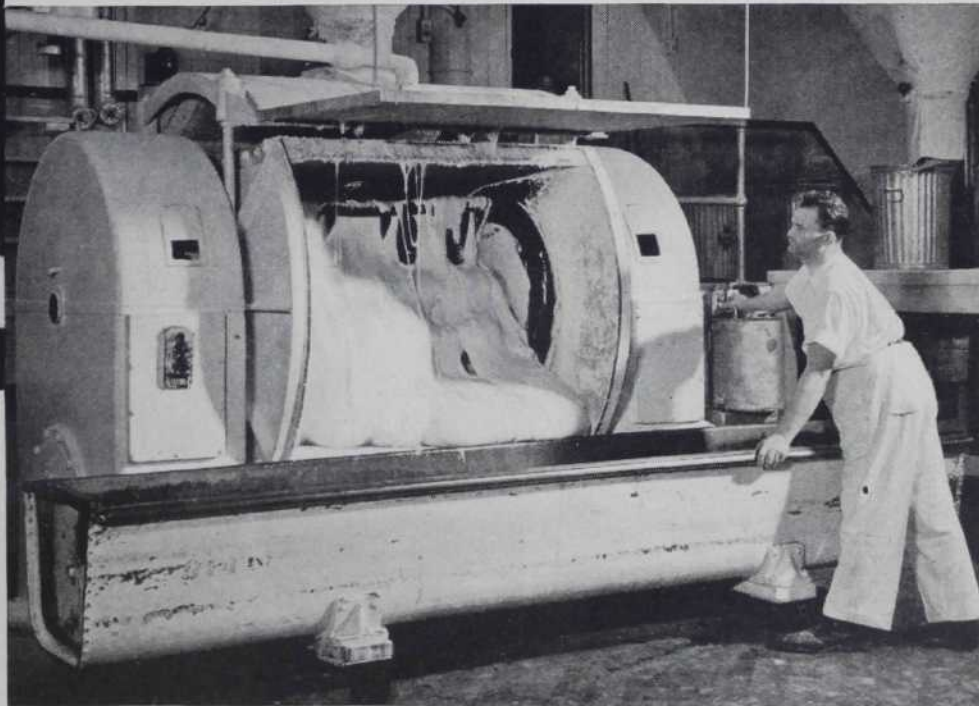
Blaming machines for breadlines is one of today's great fallacies

that of any other nation. But jobs increased even faster. While the population rose 218 per cent, the number of persons gainfully employed increased 291 per cent.

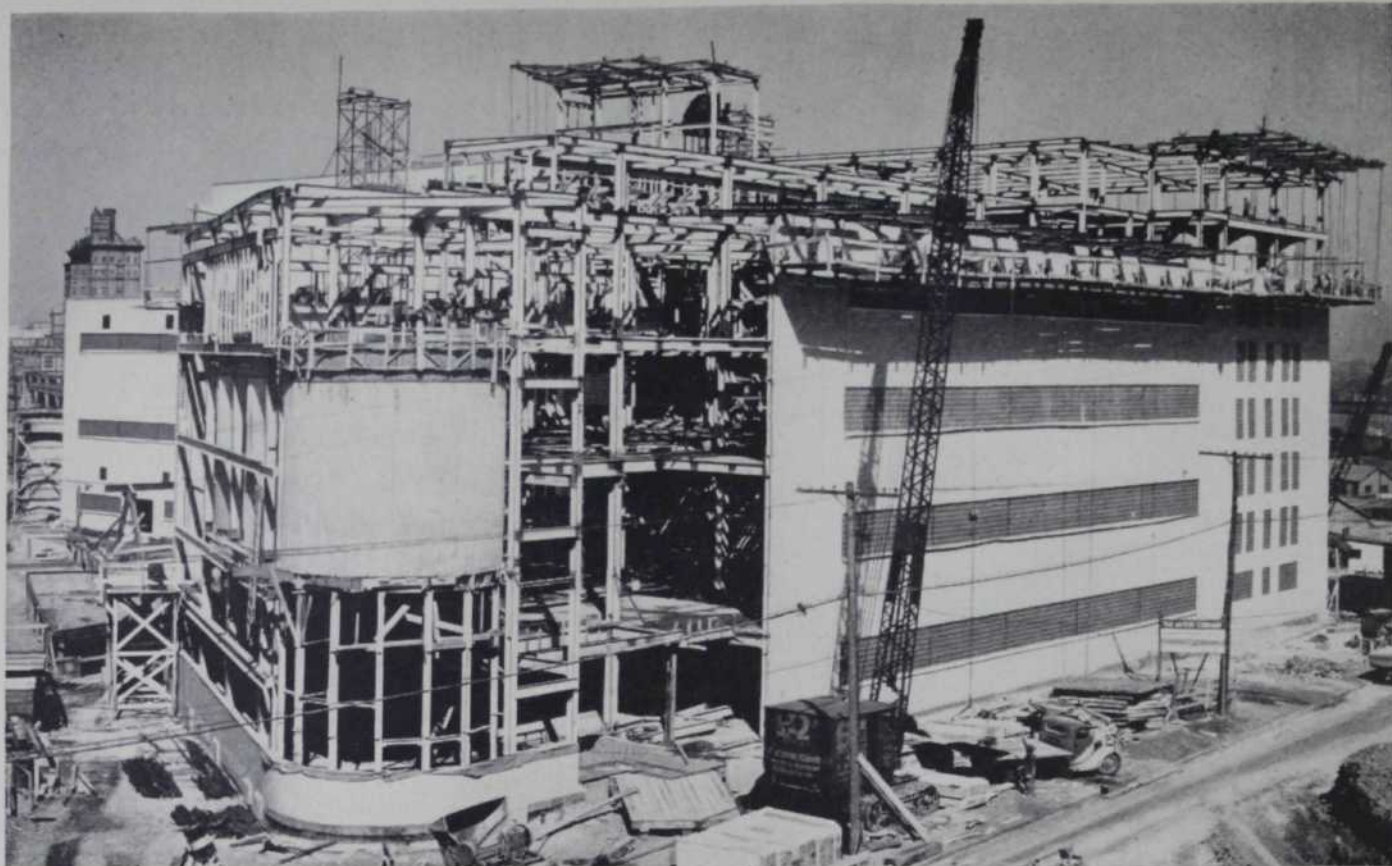
In 1900, when mechanization of industry first began seriously to alarm labor leaders, we employed—in all lines of industry, agriculture, business, public and professional service, domestics



Since introduction of the continuous mill for mass production of tin plate, employment in steel industry increased 28 per cent



Electric dough mixers helped lower prices and stimulate demand for bread, thus creating more jobs in baking industry



AUSTIN COMPANY

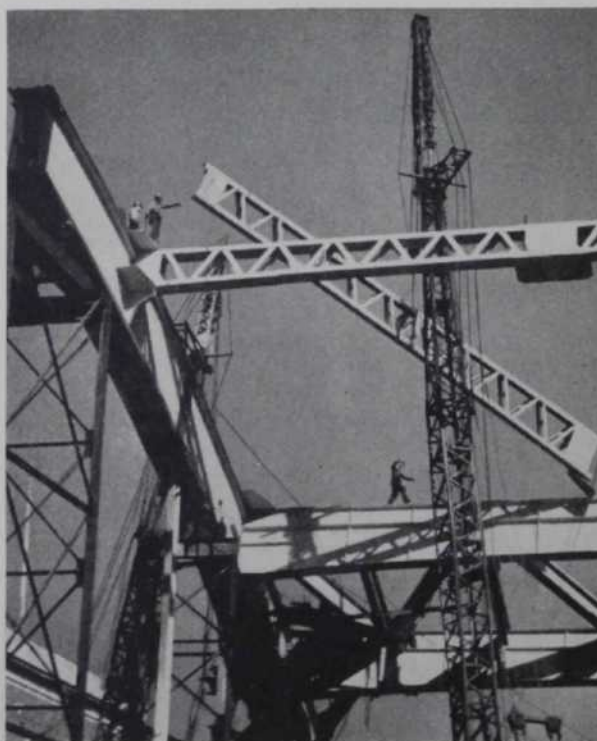
Construction of modern industrial plants is expected to increase in modest proportions

Construction Industry's Inventory

By R. L. VAN BOSKIRK

WHEN leading members of the construction and related industries met at the United States Chamber of Commerce Construction Conference in Washington last month, they seemed just as certain of a good year in 1940 as they are that it will snow in January. There was a prevailing opinion that there will be no curtailment—war or no war—in fact, many indicators point to a substantial increase in nearly all forms of construction.

There is no indication of any attempt by construction men to be Pollyannish or tongue-in-cheek prophets of prosperity. They have been on a desert too long to be fooled by any beautiful mirage of millions of contracts waiting at the horizon's edge. But they do feel that they are resting securely on an oasis, however small it be, and chances are good that the end of the desert road may not be so far ahead. The more optimistic even suggest that the



EWING GALLOWAY

Placing cross brace on an elevated highway built to eliminate traffic congestion

gloom of the past six years may bring on a boom for the next.

All of them are chary of a war boom. They know that business men as a whole are not rushing into a wild scramble for orders from the belligerents. Few orders are being taken that would involve plant expansion—too many fingers were burned by that kind of flare-up after the World War. Consequently, construction men expect no sudden surge of industrial plant expansion or mushroom housing projects as a result of war orders. They expect government building to taper off except in the field of military projects. Their hopes for good business in 1940 are based upon a belief that private industry will continue to show increased volume and that management will see fit to expand and modernize its equipment to handle domestic orders.

(Continued on page 82)

How Low Debt Cities Get That Way

By C. A. CROSSER

UNFORTUNATELY citizens can't rub an Aladdin's lamp and reduce local taxes but there is a method that gains the same end

LIKE an individual, a city which has a low debt is a curiosity in these days when some circles regard a debt as a sign of prosperity. That is, if the lucky municipality also provides all the public services citizens normally expect.

Taxpayers who see a substantial part of their annual tax gouge go to pay off the mortgage on the new high school, park, or speedway boulevard, raise their heads from their misery and inquire:

"In Heaven's name, how can we do the same thing in our home town?"

Yes sir, a few cities have not only eaten their cake but have it, too. They have provided themselves with necessary public improvements and also have low city debts. They have paid cash for their civic betterments. Maybe they haven't quite so many parks, zoos and expensive school buildings as the towns which have gotten into the habit of issuing bonds as casually as they grant a peddler's license. But it's a cinch that the taxpayers in these low debt towns wouldn't go back to heavy bond borrowing again.

Some of these fortunate municipalities have much smaller city and school tax-supported bonded debts than the average for cities of their population size, and a few, believe it or not, have no city or school bonded debts at all. Also, some of these low debt municipalities, large and small, have property taxes below the average for cities of their size.

For the benefit of tax-parched and debt-emaciated souls in other communities who seek the Aladdin's lamp to cut the debts of their old home towns, here is how these fortunate cities do it:

The basic information used here



Milwaukee favors a pay-as-you-go policy of buying improvements for the city. It will have no city debt at all by 1950

comes from the annual tabulations on city bonded debts compiled by the Detroit Bureau of Governmental Research and the United States Census Bureau reports on cities' finances.

Bond issues are expensive

MUNICIPAL debts consist mainly of bond issues which run from a few to 50 years. They are paid off, usually by installment payments as one buys a washing-machine, or they come due and are paid off in one year by means of an accumulated sinking fund—if one exists, which is not always so frequent. In cities which neglect this sinking fund procedure, the city councils wake up one cold fiscal morning to face the immediate payment of a huge bond issue with no way to meet it except a murderous increase in tax levies which they haven't the nerve to authorize. Result—refunding of



the issue over the next 20 years with interest payments during the entire life of the issue which far exceed the principal amount.

Bonded debts are usually classified in three groups—those for general city purposes such as for a city hall, park tract or fire equipment; those for school buildings, and those for municipal utilities such as water works, electric light plants or docks. The bonds for these municipal utilities are usually paid from earnings of these enterprises and so are not regarded as a property tax burden.

For purposes of convenient comparison, the cities are grouped as follows: those with more than 500,000 population; those between 300,000 and 500,000 population; 100,000 and 300,000 population; 50,000 and 100,000 population, and 30,000 to 50,000 population.

Our first four-star city is Mil-

waukee, which has the lowest *per capita* combined city and school bonded debt of all cities with more than 500,000 population. Far from depriving itself of the usual city improvements, Milwaukee has a record and reputation of having sufficient first-class public improvements and services to earn it first place in a number of intercity contests.

Milwaukee has a combined city-school *per capita* bonded debt of \$63 which is about one half the \$118 *per capita* average for all cities of more than 500,000. In each of its classes of debts—city, school, and utility, the last not included in this discussion—it ranks much lower than the average for cities of its size.

The Wisconsin metropolis has achieved its low debt record by carrying out a carefully-formulated, long-time policy. And, like the poor but honest farm boy who, after years of plodding, sees the realization of his dream of wealth, Milwaukee city officials at last can forecast the wiping out of the city's bonded debt in the next ten years. This does not include school, county or utility bonds.

Mayor Dan Hoan predicts that, by 1943, the city's Debt Amortization Fund, which will be described later,

will be equal to the outstanding city bonds and that, by 1950, the entire bonded debt will be wiped out. This latter forecast is subject to the perilous uncertainties of any municipal future.

Long-term policy of economy

MILWAUKEE'S DEBT record, unequalled by any other large American city, has come about as the result of several things.

First, thrifty Milwaukeeans favor a pay-as-you-go policy of buying city improvements. Proving this tendency, the Mayor says that about one-quarter of the capital improvements made by the city between 1913 and 1932, were financed without borrowing, by current revenues of various kinds.

Second, in 1923 the state legislature authorized establishment of a Bond Amortization Fund which, in taxpayers' English, means a fund to be used to pay off bonds without levying taxes on homes.

Beginning with a nest egg of \$400,000 in 1923, this fund has been increased by interest earnings from various city funds as well as from its own investments, plus miscellaneous revenues from other sources, much like the members of a family drop pennies in the china pig on the kitch-

en shelf. At present the fund exceeds \$8,000,000 and is growing at the rate of about \$1,000,000 a year. By 1943, it is estimated, its total will equal the then outstanding bonds. The law provides that, when this fund aggregates three-fourths of the city debt, three-fourths of its earnings shall be used to pay off old bonds and pay for new city betterments. So, when the fund soon reaches that point, payments of old bonds from real estate taxes will be substantially, if not altogether, eliminated.

Then, by 1950, the Mayor believes, the entire city debt will be paid off and the city will be able to buy all necessary improvements as it needs them out of this fund and by direct tax levy.

Another thing which has helped reduce the city debt is that, between 1932 and 1936, the city issued no new bonds and paid off \$18,000,000 in old ones, which is no mean municipal record in itself.

Exclusive of Washington, D. C., which, as the national capital, is in a class by itself, Seattle, Wash., has the lowest city-school bonded debt of cities between 300,000 and 500,000 population. As compared to an aver-

(Continued on page 101)

Pity the citizens in towns that are in the habit of issuing bonds as casually as peddlers' licenses



Freight Rates with a Southern Accent

By C. E. WIDELL



Tobacco is a major item in southeastern freight movements

Portsmouth, Ohio switchyard, where southern cars are rerouted to the North

A TENNESSEE shipper pleads for full deliberation toward solution of a difficult problem in the fear that no improvement can come from the play of politics and self interest

AS CONGRESS gathers for its 1940 session, the adjustment of interstate freight rates remains a matter for shippers, railroads and the Interstate Commerce Commission to work out in each case.

And there it should remain, and doubtless will, unless the resentment against so-called sectional freight rate discriminations finally converts what should be a thoughtfully considered problem of economics into a test of numbers and political strength. We are not far from that when action and appropriations by southern states to remove "discrimination" are met by action and appropriations by northern states to preserve the *status quo*.

Unfortunately, it is not hard to persuade people that they are being discriminated against. Most of us are inclined to feel that way anyhow and,

if the subject of the feeling happens to be freight rates, it is rarely difficult to find somewhere in the maze of rates all over the country something to support the idea. By a judicious selection of examples, almost any one can be brought to feel that he, his industry, his community or his section is being discriminated against.

Out of such feelings have come demands for rate-making action by Congress. Fortunately, the 1939 session did not take the steps urged upon it in the name of rate equality. Had it done so, we might get "equality" all right, but we might also get a rigid and inflexible scheme of rates for the whole country, taking no account of the needs of commerce and the actual variations in conditions.

Freight rates, by long and accepted practice, fall into two general descrip-

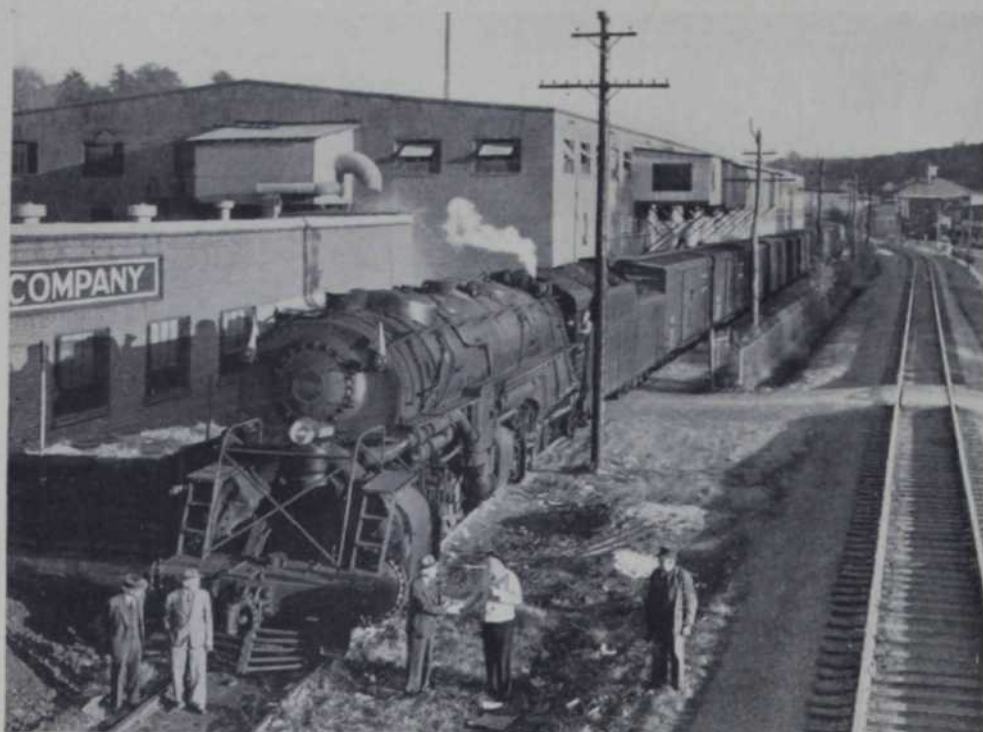
tions—"class" rates and "commodity" rates. Both are important and both move important traffic. The greater volume of traffic, however, moves at commodity rates.

Class rates and commodity rates have different jobs to do. Originally, each little local railroad published only its own rates between stations on its own lines. Commerce was simple, and no great variety of goods moved on any one short line. One early railroad, for example, grouped all its published rates under five classifications—"heavy goods," "light goods," "case goods," "logs" and "whisky."

Class rates for simplification

BUT, with the growing complexity of commerce, the increasing movement of freight over more than one railroad and the legal requirement of publishing precise tariffs of rates, it became necessary to set up some system of rates on every article of commerce from every station to every other station in the United States. Out of this necessity the system of class rates grew.

To show separate rates on just one



Trainloads of furniture add large volume to South's freight tonnage



Coal from the Pocahontas region is an example of special conditions

article of commerce from every one of the approximately 100,000 freight stations in the United States to every other one would require a tariff of about five billion items. Multiply that by the thousands of different articles which move in commerce—a number which grows almost daily as new articles are developed—and you begin to see why some sort of classification plan had to be worked out.



Freight shipments must be handled in a variety of ways. Their complexity prevents a uniform rate for all

The basis of the class rates system is the Consolidated Classification, a 500-page book listing some 15,000 different descriptions of groups of articles, ranging through the alphabet from "abrasives" to "zirconium," and assigning each one of them to a certain classification for rate purposes.

In earlier days there were three separate classification volumes, one for the eastern territory (commonly called "Official" because it was the first to adopt and use joint classifications), and others for the southern and western territories. When these were combined into the present consolidated volume in 1919, the descriptions were

made uniform but the ratings and the rates remained different.

Rates incorrectly compared

AFTER a series of extended investigations during the decade of the 1920's, the Interstate Commerce Commission made general readjustments of these class rates within and between the various territories. In the South—the territory with which I am most familiar—the purpose of the readjustment, which became effective in 1928, was to unify the varied class rates within the South and at the same time to provide joint rates between the South and Official territory. These rates, as a whole, were considerably lower than those previously in effect. Similar readjustments followed in the East, in the Southwest and in Western Trunk Line territories. But, in the final result, the levels of the class rates in the various major ter-

ritories remained different, with the eastern level lower than that in the South and the West, and lower than the level between various territories.

Because of that, it is commonly said that southern and western "freight rates" are higher than the eastern rates by some fixed percentage, usually arrived at by a simple arithmetical comparison of the rates on first-class freight. The South has brought itself to believe, and has advertised to the world, that its development is being blocked because its "freight rates" are 39 per cent higher than eastern rates.

But industrial development in the South continues. All things considered, the South seems to have made more

progress along that line in these depression years than has the nation as a whole. How could that be if the southern industrialist were walled in by "barriers" or "Chinese walls" of freight rate discrimination, doubly handicapped by his greater distance from the great consuming centers and by having to pay 39 per cent higher rates over that great distance?

The answer is, of course, that it simply is not true that southern "freight rates" are 39 per cent higher than those in the East. Those who persistently and vehemently insist that they are, do no good service to the further industrial development of the South.

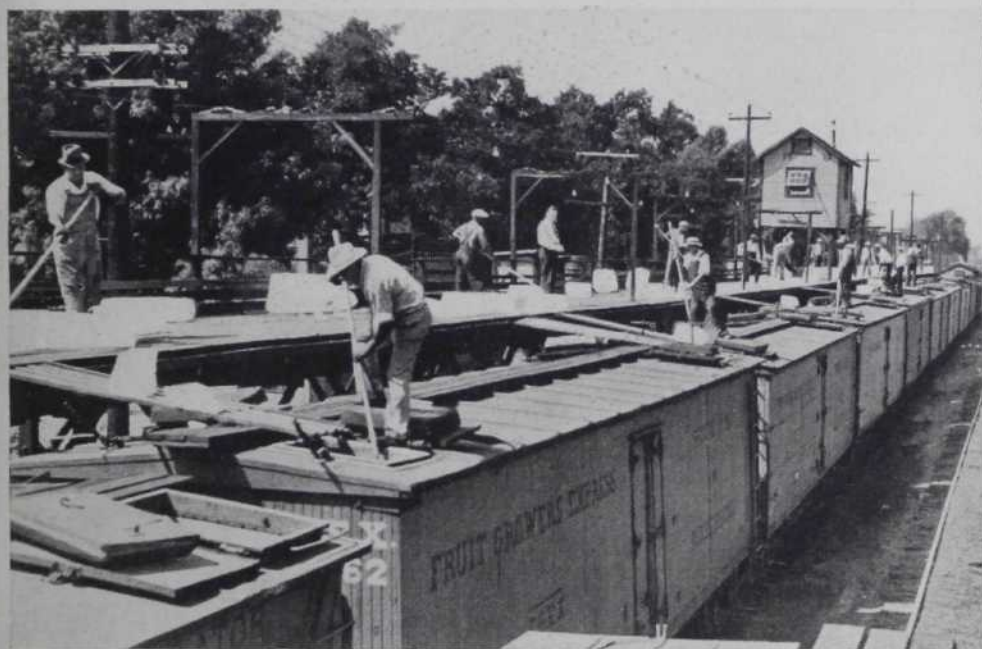
Some southern rates are higher than eastern. Others are lower, mile for mile. Because, as I said a while back, there are two different sorts of freight rates—class and commodity. Southern class rates, and western too, are higher

logs and pulpwood moving to mills. Or it may be to enable some product to move long distances to the great northern markets, as in the case of rates on cast brass pipe, coke and lumber which are the same as, or lower than, the eastern basis—to take but three examples.

On many products, rates within the South are lower than the northern rates. On many others they are no higher, and on no large volume of traffic are they as much as 39 per cent higher. Mere comparisons of first-class rates, therefore, do not accurately reflect the whole rate picture, and the arithmetical difference between these rates does not measure the difference between freight rate levels as a whole. Neither is the average revenue received by the railroads for hauling a ton of freight one mile an accurate

region), it was 1.013 cents, and in the West 1.040 cents. The Pocahontas region, lying between the East and the South, is excluded in this comparison because it represents a peculiar traffic condition, typical of neither East nor South.

This practical uniformity of the ton-mile revenues in the various sections does not mean that rates are the same,



Commodity rates on shipments such as this trainload of citrus fruit would go up if mile-for-mile equality is prescribed

than those in the East. But a commodity rate, where published, supersedes a class rate, and the commodity rates on which a large part of southern and western traffic moves are frequently as low as, and sometimes even lower than, the corresponding eastern rates.

Originally worked out between the railroads and the shippers concerned, subject to the approval of public regulatory authority, of course, these commodity rates are put in for the express purpose of enabling some particular commodity to move. The movement may be the concentration of raw materials at a point of manufacture, as in the case of the low rates which most southern railroads maintain on

measure of comparative freight rates in the different sections. The composition of traffic is so different in different sections, and the length of haul varies so widely, that the ton-mile revenue figures do not accurately reflect comparative rate levels.

However, for what they are worth, and in the absence of some better indicator of comparative rate levels, it is interesting to note what shippers in the various sections paid to get an average ton of their goods moved a mile. In the East (excluding the Pocahontas region), the average revenue received by the railroads in 1938 was 1.009 cents per ton-mile. In the South (likewise excluding Pocahontas



Carloads of cabbage add variety to the composition of southern freight

North and South, nor does it mean that the South has no particular rate problems of its own. It has; but, in the main, the problems are not unlike rate problems everywhere. They deal with adjustments or relations of rates on particular commodities between particular points or territories. Even the widely known southern Governors' case before the Interstate Commerce Commission dealt with only 14 commodities or groups of commodities—not with the 15,000 groups which are listed in the consolidated classification.

Class rates are important

THE class rate structure, however, is by no means without importance in its effect upon commodity rates, both within the South and between the South and other territories. This is true, for one reason, because of the necessity of observing in most commodity rate adjustments the principles of the long-and-short-haul clause of the Fourth Section of the Act to regulate commerce.

From the standpoint of rate-making mechanics alone it is no easy thing to work out any wide adjustment of rates which will comply strictly with the

(Continued on page 104)

Leaders in the March of Business



Left to right: Henry Butler Allen, Lewis H. Brown, J. W. O'Leary, Edward G. Budd



Gerard Swope, Chas. E. Wilson (right)



Walter H. Wheeler



Robert E. Wilson



Charles C. Dickinson

LEWIS H. BROWN of Johns-Manville Corporation, received first award of the Vermilye Medal, presented by the Franklin Institute, in recognition of "his brilliant work in executive management, in industry." Mr. Brown was born in Creston, Iowa, in 1894, joined his present company in 1927 and was named president two years later.

Charles E. Wilson, 53, started his business career as an office boy with the Sprague Electric Company in 1899. When his company's conduit business was transferred to General Electric, he became assistant general superintendent of the Maspeth and New Kensington plants. In 1930 he became vice president and last month was chosen to succeed Gerard Swope as president of General Electric Company.

Robert E. Wilson, 46, head of Pan American Petroleum & Transport Co., was awarded the Chemical Industry Medal of the Society of Chemical Industry, for "valuable application of chemical research to industry." He was the first outstanding chemical engineer to join an oil company and is generally given credit for having sold chemical engineering to the oil industry.

Walter H. Wheeler, Jr., 42, president of Pitney-Bowes Postage Meter Co., whose post office-licensed machines handle a large percentage of total U. S. metered mail revenue. Their new "Mailomat" machine is now being installed in hotels, railroad stations, office buildings and department stores. First commercial installation was at Macy's in New York last November.

Charles C. Dickinson, 63, of Charleston, W. Va., was recently elected president of the National Coal Association, which he helped organize in 1917. He has served as a director, vice president and member of the government relations committee. He is also engaged in the salt and chemical manufacturing industries.

THIRTY PRACTICAL IDEAS

**any of which
may save you time
and money**



Thousands of executives in large and small offices have sent for this booklet. The definite, practical ideas it contains have helped many of them eliminate expensive bottle-necks, annoying peak periods, unnecessary duplications, and other handicaps that slow up office routine.

Each idea is clearly explained and easy to understand. The demand for "Ways to Save Time in an Office" has already necessitated a fourth printing. For your free copy, get in touch with your local Burroughs office; or, if more convenient, write on your own letterhead to—

BURROUGHS ADDING MACHINE CO.
6101 SECOND BLVD., DETROIT, MICHIGAN

Typical Comments by Executives Who Have Read This Booklet

"I should like 10 extra copies for distribution to the supervisory force of our organization."

• • •

"The contents of this booklet are one of the topics for discussion at a meeting this week of all of our division auditors."

• • •

"We immediately adopted one idea to eliminate extra handling of figures in our proof work."

• • •

"Some of these ideas helped us get our office on a 42-hour basis."

Burroughs

The public has always felt that the auditor was a sort of policeman whose job was to prevent fraud



Are Auditors Hard of Hearing?

By JOHNSON HEYWOOD

WHEN Wall Street learned that the president of McKesson & Robbins was actually an ex-convict, it strove to slick down its ruffled sophistication with wise-cracks. Among the less ribald was:

Old Mother Hubbard went to the cupboard,
To get her poor dog a bone.
When she got there the cupboard was bare,
And wasn't that a surprise to the auditors?

That rhetorical question can be answered categorically:

Yes! The whole accounting profession was surprised—but not astounded.

Twelve years before his firm was tricked by the Musica brothers, George O. May, the senior partner of Price, Waterhouse & Company had told an association of accountants:

It must be recognized that skilled dishonesty, especially collusive dishonesty, may at times and for a time deceive even the auditor who conducts what is regarded as a reasonable audit.

IF AN auditor's report does not guarantee that all is well with a company, just what does it mean? Investors and others will find this article illuminating

Every auditor knows that such things can happen, and more or less consciously adds to his daily "Now I lay me" the postscript, "and dear God, please don't give me a clever crook for a client."

It was the laity—many of them investors, bankers and other extenders of credit—who were flabbergasted. They had assumed that an audit report, signed by an accounting firm esteemed for its probity and ability, was a guarantee that all was well.

That was an unwarranted assumption. In usual accounting practice, the auditors merely certify that, in their opinion, the financial statements fairly reflect the company's condition.

The public had come to believe that

auditors were cold-blooded, clairvoyant machine-men who could never be hoodwinked. So, when the news broke that, in spite of annual audits, the president of McKesson & Robbins had for 11 years been falsifying its accounts, the accounting profession found itself on the spot.

The public wanted to know whether auditors were worth their salt.

Several investigations were started. The Securities and Exchange Commission took thousands of pages of testimony. To the surprise of most people, except accountants, the investigations disclosed:

1. That the discovery of defalcations has not been a primary objective of an ordinary audit.



Snapshots of Some Important Bondholders

PERHAPS some of the people shown in these pictures don't quite fit in with your idea of what bondholders should look like.

► But the fact is that these typical American people—and millions more like them, in every walk of life—have a financial interest in some of the country's most important investments... in electric light and power companies, transportation companies, home and farm mortgages, and Government bonds.

People like these, you see, own life insurance policies with Metropolitan...

► And as you probably know, part of the money Metropolitan policyholders pay as premiums for their life insurance is set aside as a "reserve," as required by law. This reserve fund is invested by the company, to earn interest and thus help to reduce the cost of life insurance to the policyholders.

In its effort to achieve maximum safety for the funds which it invests for its policyholders, Metropolitan wisely follows the proved principle of diversification... spreads these funds over many different kinds of sound, conservative investments.

► You will find these dollars at work today in thousands of carefully selected investments... in bonds and mortgages, helping to finance building operations, homes and apartments, utilities, agricul-

ture, industrial enterprises, and Government projects, such as schools, roads, and bridges... in practically every part of the United States and Canada.

Not a single dollar is placed until a thorough study and analysis of the security has been made by Metropolitan's staff of specialists. And every dollar, once invested, is subject to constant watchfulness.

► Metropolitan's investments, and the measures taken to safeguard them, are important to every policyholder for still another reason...

These investments, with the interest they earn, make it possible for the company to guarantee that the payments provided for in its policies will be made, in full, when due.

COPYRIGHT 1939—METROPOLITAN LIFE INSURANCE CO.

This is Number 21 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements will be mailed upon request.

Metropolitan Life Insurance Company

(A MUTUAL COMPANY)

Frederick H. Ecker,
CHAIRMAN OF THE BOARD

Leroy A. Lincoln,
PRESIDENT

1 MADISON AVENUE, NEW YORK, N. Y.



2. That it is accepted practice for auditors to rely upon statements made by the management.

3. That the figures in financial statements are not necessarily exact.

4. That but few audits are complete, detailed examinations of a company's books.

5. That an auditor's certificate is never a warranty.

Aware that the public was pretty upset over these disclosures, The American Institute of Accountants and the New York State Society of Certified Public Accountants appointed committees to study audit procedure.

These groups discovered that the public had been oversold on auditing and accounting.

Take, for instance, the auditor's responsibility for discovering fraud and defalcations. Few businessmen have ever heard of the Kingston Cotton Mills case. Yet, for 43 years, the judge's opinion in that English case has been called "the auditor's charter." It reads:

An auditor is not bound to be a detective, or to approach his work with suspicion or with a foregone conclusion that something is wrong. He is a watchdog, but not a bloodhound. He is justified in believing tried servants of the company in whom the company places confidence. He is entitled to assume that they are honest, and to rely upon their representations, provided he takes reasonable care. If there is anything calculated to excite

suspicion he should probe it to the bottom but, in the absence of anything of that kind, he is only bound to be reasonably cautious and careful.

Probably that is not unreasonable, considering the practical impossibility of making a detailed audit of a big company.

Many auditors, however—especially those whose clients are small concerns—consider the detection of fraud to be their first duty.

Detection of fraud

THE ability to detect fraud depends to a great degree upon the accountant who is on the job. The head of one auditing firm says that one man in his employ has brought to light twice as many defalcations as all the rest of the 20 staff men combined. He is not, his boss says, a likable fellow. He distrusts every one, has a low opinion of mankind, and seems to take a vindictive pleasure in catching irregularities. But he has made a reputation for his firm.

Probably because accounting has to do with figures, the public has assumed that it is a mathematically exact science. Accountants know that it is not.

William R. Basset, an industrial engineer and certified public accountant who, before he became an investment

banker, had a large auditing practice, says:

The only mathematically exact transactions in any business are when goods are bought and paid for, or sold and collected for. In between is the twilight zone of judgment, opinion, estimate and guesswork. Therefore, the financial statement which results from an audit cannot be a sharp, clean-cut photograph. It is considerably clearer than a blurred blob of paint, but it is bound to be more or less fuzzy around the edges. The best an auditor can claim is that his picture shows about what the business looks like—as he sees it.

Many of the items in a financial statement—depreciation for example—are not precise, verifiable values. They are mere estimates or opinions.

Probably no business is so simple that its statements could contain only verifiable facts. Even a peanut stand would not be an example. The proprietor has an investment in the roaster. If he wants to stay in business, he or his auditor must guess how long the roaster will last and set aside a proper share of the year's profits in a depreciation reserve so that, when the roaster gives its last dying squeal, there will be money to buy a new one.

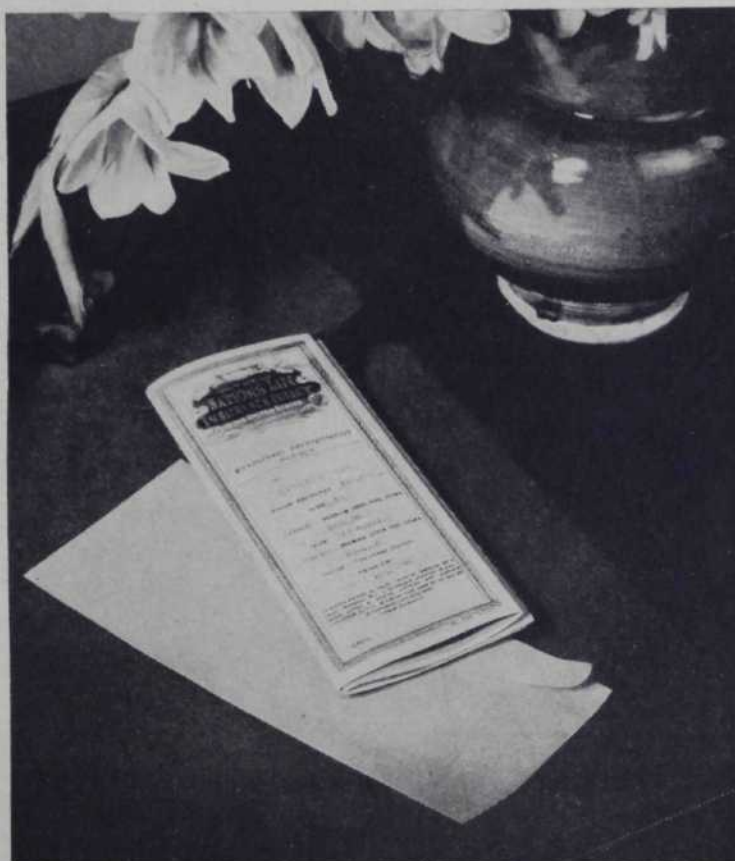
The useful life of a machine or a factory building is a matter of opinion. Even the method of figuring depreciation is subject to argument

(Continued on page 108)



Auditors now approach a client's books in a spirit of suspicion. In their new rôle as bloodhounds they are sharpening their senses of smell

The CASE for INSURANCE



LOHR

A REVIEW of the accomplishments of the institution of private insurance, together with an interpretation of relevant developments now shaping in the field of public policy.

The Lengthening Shadow of Government

INSURANCE exemplifies, more than any other institution, American life and spirit. The American, since pioneer days, has hated dependency. He wants to get on and up in the world by his own efforts. He has a horror of dependence upon relatives, upon charity, upon the "county," and, in its deeper aspects, upon the State. It was this spirit that caused him to break away from the old world idea of government's relation to the individual. The greatest manifestation of this spirit is before our eyes, yet how it lacks interpretation! It lies in the fact that more than 60,000,000 Americans sacrifice and save to guarantee such independence through insurance and have set aside \$33,000,000,000 of such savings to protect them in the event of death, sickness, accident, and old age; and to reimburse them for losses due to fire and other casualties.

Just now we hear promises of politics to give every man security against unemployment, sickness and old age. It is a most worthy ideal. It appeals to all, rich and poor, high and low. It takes a persuasive voice indeed to get a hearing as to its practicality; much less as to the

danger involved. Such government guarantee will impair and may even destroy this voluntary American institution and, in the destruction, there will go something more valuable, the spirit back of that urge to provide for oneself. Even if it were practicable for the political organism to do this, the dollar-and-cent cost would be insignificant compared with the loss of incentive, self-dependence, and obligation to family, which would inevitably follow.

There is a growing tendency everywhere to shove responsibility onto other shoulders, to contend that society owes each man, regardless of his own efforts, an easy living, and to expound the soft philosophy that by right, each of us, regardless of foolish mistakes, rash speculation, incompetency or plain laziness, should be maintained by the industrious and the thrifty.

These are dangerous doctrines to those who glory in the American spirit and American progress of 150 years; dangerous doctrines to those who are engaged in the application of an ideal wholly contrary to that of dependence upon others.

The CASE for INSURANCE

The very essence of despotism is the claim
of the supreme power of Government over
the property of its citizens

Lecky in his "Democracy and Liberty"

TWO DIVERGENT PHILOSOPHIES are now at grips in the United States. One is traditional. The other is alien in origin, has advanced from the expository to the experimental stage in the efforts of its advocates to win the approval of the American people.

This evangelical competition for the support of the citizen may well decide the economic as well as the political future of our country. To be able to identify the two groups of partisans involved in this fateful struggle, it is in order to define the nature of the faiths they are currently expounding.

From the beginnings of our nationalism we have practiced our basic belief in the resourcefulness of the individual to turn to good account the abundance of material opportunity and political freedom which the rest of the world recognized as a combination of favorable qualities distinctly American.

It is true that the acceptance of this doctrine of self-reliance under a régime of liberty produced a national balance sheet of trial and error. Under it, mistakes were offset with brilliant contributions to the pace of national progress, and the forwarding of the people's well-being. For proof of the soundness of this policy of safeguarding the individual's freedom to use his powers of mind and spirit to the full, its partisans point to the accomplishments of the American people as civilizers and promoters of the good life.

Once looked upon by an older world as a poor relation with no past and a dubious future, this country has lifted itself in less than two centuries to a degree of prestige where its political favor is as much in demand as the beneficent fruits of its industrial and commercial ingenuity.

Conflicting with this deeply rooted concept of free play for initiative and enterprise is the belief that a political agency can best direct the energies of the individual for the greatest good of the greatest number. Its partisans argue, for example, that if, in the course of a year, the individual produces more than he consumes, and receives a due bill in the currency of the land for that amount—a due bill of \$100, say—it is better for him and his fellow men if a political agency determines how his \$100 shall be invested. They also say that if a political agency directs his energies during the year he will have a greater amount left over—after he has produced and consumed—than if he ruled his own actions.

The political agency says that, if this money is left to the whim and caprice of the individual, it may be carelessly spent; that it may be lost through a lack of judgment or through chicanery of promoters; that it

Political control

Briefly, the Government will have to enter into the direct financing of activities now supposed to be private; and a continuance of that direct financing must be inevitably that the Government ultimately will control and own those activities. . . .

Over a period of years, the Government will gradually come to own most of the productive plants of the United States. . . .

The country will probably be deciding in the next few years whether the Government ought not to own, directly or indirectly, part of the national plant such as railroads, electric power and mineral resources; and the Temporary National Economic Committee may give us a final answer. . . .

—A. A. Berle, Jr. Assistant secretary of state, before T.N.E.C.

That way danger lies

The real needs of commerce, agriculture and industry could be subordinated to the spending plans of the Government and to its dictation concerning the volume and kind of credit to be made available from time to time. Efforts could be made to control the level of production, prices and employment, through adjustments of the mere volume of money and credit, by a Washington bureau which thus would be permitted to experiment with a most dangerous form of so-called central planning.

—U. S. Chamber of Commerce, commenting upon legislative proposal to centralize credit, 1933



BROWN BROS.

The San Francisco Fire in 1906 destroyed 28,000 buildings with a loss of \$350,000,000. The insurance loss was \$225,000,000 which companies were able to pay, almost entirely, out of their reserves

Socialist purpose

The Socialist Party's purpose is . . . when in power to transfer the ownership of industries to the people, beginning with those of a public character, such as banking, insurance, mining, transportation and communications.

—American Labor Year Book, 1921-22, page 395, from Declaration of Principles of the Socialist Party of the United States

Dangers of centralized control

The possible menace to sound investment of life insurance funds is one of the greatest dangers of centralized control. M. Albert Linton, President of the Provident Mutual Life Insurance Company, addressing the thirty-third annual convention of the Association of Life Insurance Presidents, said: "Suppose that some administration should decide that the life insurance premium income available for investment should be used to support this or that social or economic theory or should be used to balance the budget."

may be spent for things that the country doesn't need as much as it needs other things. To be specific in example, it says that, if the citizen puts this \$100 into an insurance policy, the insurance company may take that \$100 to Canada and lend it to the Canadian Government, or that it may lend it to the Arkansas Power and Light Company, even while, the proponents of collectivism might argue, the country needs small homes for poor people more than it needs an expansion of power and light facilities in Arkansas, or than the Canadian Government needs to carry out its purposes in Canada. In essence, their belief is that the progress and the prosperity of a people will be bettered if the political agencies take over control of the activities of the individual and the results of his labor.

From that state of mind issues the totalitarian theory; the theory of the Mussolinis and Hitlers—and a militant group in the U. S. with similar beliefs—that a strong centralized directing power is a better way of life than a democratic hit-or-miss, haphazard direction of energies.

Man vs. the State

ALTHOUGH the movement started about 40 years ago, it gained no speed and little attention until the past few years and, throughout the ten years of our depression, the manifestations of the political control group have appeared in every activity of our daily lives, not only industrially and commercially, but socially. The effort to make better social conditions is a part of this philosophy and, indeed, most of the changes recommended in our economic set-up are based upon the need for social change.

How greatly established economic activities have been affected by the new social-mindedness of government is apparent in the changes which have taken place in our banking system. Banking is entirely different from what it was ten years ago, because centralized political control is doing the major part of the country's banking business. Whether or not what was done was done because the banks failed to do their accustomed job, as is charged, is beside the point. The fact remains that, with 42 lending agencies in the national capital, a large part of our banking business is now being done by these federal agencies.

The full weight of such a change is not felt overnight. The political control moves for a time along in the same direction as private initiative but gradually the power is used to deny funds for the expansion of a specific business and to allocate those funds for purposes of politics.

Already we can see some of the effects of this policy in practice. Would anyone believe it possible to raise money through popular subscription for the sale of stocks and bonds, or, indeed, to allow an insurance company to put out the people's savings for the purpose of building a Passamaquoddy Dam, or planting tree belts, or a Florida Ship Canal, or to buy honey from farmers to keep up the price, and give the honey to C.C.C. boys in the camps—all of which may have been desirable and worth while? The eloquent fact is that the power over our savings is passing from us, the people, and our agents, the banks and insurance companies, to political administration of those funds.

The second largest pool of these funds is constituted of insurance reserves. Political agitation envisages more power and control, and particularly federal control—because there is already state control limiting the operations of insurance companies but the state control has not

directed the investment of the people's money, as the federal Government proposes to do, into channels of social uplift.

Now, all this change has taken place with the active, or at least implied, consent of the people. The people have consented to it because minor abuses have been overemphasized and made to appear as fundamental defects to be corrected by political control; that abuses in the setting up of businesses through the method of incorporation can be corrected through applying the blue sky law in a national way through the Securities Commission; that abuses in the labelling of goods, whereby the label did not tell the whole story, can be corrected through giving the Federal Trade Commission and the Agricultural Department control over the labelling of such goods; that the alleged abuses of management in the handling of men can be overcome by the Wagner Labor Act and the Wage and Hour Act; that the excesses in the coal industry have been overcome by the Guffey Act. These are the first steps.

The point is that a group, either one or the other, seeking to change a system, must first get the support of the people for such a change. In European countries this comes about through a political or military coup, through overturn of a régime or system by physical force. In the United States the change will come, if it does come, through the indifference or active support of the people themselves, or through their representatives insisting upon or at least permitting such changes. So the technique is simple:

First, the people must be made to feel that excesses exist to their detriment. Suspicion and fear were aroused against the bankers. The manufacturers were held up as employers of sweat-shop labor, of child labor, were charged with treating their men like slaves. Similar accusations ran through the whole industrial and commercial structure.

Fear plays its part

WITH fear and suspicion implanted in the hearts of the people, their assent to change at least in part from the free operation of these businesses to political control was logical. This control amounts, in many instances, to operation, with this difference: while the political control fixes the ways and the methods by which the business is to be run, it assumes none of the responsibilities for its success. As a matter of fact, the poorer the showing of political supervision, the faster political control takes over full operation. We have innumerable instances of this tendency.

This tendency is more pronounced in the financial field than in some of the others, but the movement is so clearly defined that it serves to explain the "investigation" of insurance.

The simple announcement of such an investigation creates a suspicion that something is wrong and, as the course of the investigation is adroitly directed, that suspicion mounts until people begin to wonder whether their institution of insurance is soundly conducted. With that frame of mind established, a specious logic sugars suggestions or plans for a little incursion of the Government into control and into operation. Innovations that once would have seemed fantastic for the rôle of Government are offered in the name of social obligation—ten-year annuities, and insurance on commodity surpluses among them. Once the camel of

First step in control

Capital allocation would depend on knowledge, from some planning agency, of how much for a measured future period ought to be put to one use rather than to another. Given this information, the first step in control would be to limit self-allocation. This is the first great problem in this field.

—Professor Rexford G. Tugwell, 1932

The deeper purpose

The entire course of the investigation as conducted and the attitude of those charged with conducting it, would indicate that the ultimate object of the investigation is to build up a case against state supervision and for federal control of the business (life insurance).

—Statement by American Life Convention, Chicago, Ill.



BROWN BROS.

Leaving their vital statistics momentarily, insurance men carried on researches to develop safer highways for the nation's motorists



BROWN BROS.

The theory that political agencies should control capital, should allot the savings of the people, is the axle of the communistic wheel. Karl Marx (above) had ten "points" in his platform to bring about Communism. The first was

"Centralization of credit in the hands of the State by means of a national bank with state capital and an exclusive monopoly."

Marxians of later days recognize its potency. Lenin, an avowed disciple of Marx, who has been defined as the father of modern Russian Communism, observed:

"Through the nationalization of banks they"—the small business men—"may be tied hand and foot."

Elsewhere he said:

"One State Bank as huge as possible, with branches in every factory this is already nine-tenths of the Socialist apparatus."

Even more recently the British Socialist Leader, G.D.H. Coles, said:

"Before a labor Government nationalizes any industry, it should nationalize the banks. With the banks in our hands we can take over other industries at leisure."

change gets his nose into the tent, the entry will be construed as the people's will by the group which believes that political control and operation, the determination of the individual's activities, is the kind of government that governs best.

Of course, there is nothing new in this. It is as old as civilization itself. The doctrine of complete totalitarianism or complete political control of every activity of the individual was the platform of Engels and Karl Marx. It is the platform of every dictator, of every Socialist party. The dictator is more frank. Socialism disguises the real power by saying it springs from all the people, but all the people must delegate this power to a few leaders, and Socialism simply substitutes a new group, particularly those who have not had experience in business or in statesmanship. Through a leader from the ranks under the banner of proletarianism a new set of rulers come into power, who, in turn, tell the worker what he must do and when he must do it.

Without awareness, we are moving in this country, for good or ill, toward acceptance of this philosophy. We have applied it, not in its true name, because it would have been impossible for our present-day national program to have been sold to the people under the title of Socialism, yet it embraces all the tenets of Socialism.

This movement toward Socialism is the background of the resolve of NATION'S BUSINESS to take representative businesses one by one and reveal the implications of relevant positions and actions in the field of public policy.

Spending begets spending

SPENDING, more spending and promises to spend more has been the policy of the federal Government for ten years. The definition of a balanced budget is known only to antiquarians.

Originally this spending was for the purpose of relieving personal and business distress, to prevent human suffering. The financial depression had created situations making some of these outlays of public money necessary.

Spending, however, begets more spending. When one group or class is aided or subsidized, other groups and classes demand similar treatment. Promises of bigger and better benefits continuously must be made to keep the political machine doing the spending from stalling. There is no more violent political enemy than a bounty seeker scorned.

Relief of distress is now only an incident in the national spending theory. Housing and farm subsidies, dams and power plants, irrigation and park projects, public buildings and highways, canals and the harnessing of tidal waters—all on an enormous scale—attract the spotlight today. Old-age pensions and unemployment insurance make increasing demands on the taxpayer and these demands result in more promises for larger grants by politicians. A national health program costing \$850,000,000 has been seriously proposed and outlined.

There now comes an insistent demand for the expenditure of huge sums for rearmament, and the emergency brings into bold relief the nation's critical fiscal situation.

The question before the financial alchemists of the Government is how to get the money to continue to do all these things on an increasingly

opulent scale. The power to tax is unlimited, but when it reaches, as it almost has, the power of destruction, it kills off the goose which lays the golden tax egg. That cannot, of course, be permitted just now. Even more critical is the fact that the power of the Government to borrow has about reached its present legal limitations.

A scheme has been devised, however, by the planners to save the situation. They see a way out. They see the tremendous reservoir of savings in the insurance companies.

Easy money in view

THE SOCIAL Security Law provides the inspiration and the vehicle. Payments into this fund, extracted from employers and employees alike, are poured into the United States Treasury and used to pay current government expenses. What would be simpler than to raise more money the same way?

The various plans under consideration provide for enlarging the scope of the Social Security Act to include the issuance by the Government of ordinary insurance on lives, so-called "burial insurance" and the establishment of an annuity system. All this would be voluntary, at least at the start. Compulsion readily might be arranged later, and a plan for such a system in the "burial insurance" field actually has been worked out.

In a word, it is planned to put the federal Government into the life insurance business in a big way in competition with private life insurance companies. The spenders can then use premium money instead of tax money. It will be up to future administrations to levy taxes to pay off the maturing obligations of the system, if any taxpayers remain when that time comes.

The project outlined is only a beginning. The real objective is to absorb as rapidly as possible the entire institution of insurance into the federal Government machine.

The creation of a voluntary and government operated life insurance system under the direction of the Social Security Board also will require federal supervision of insurance. It is now regulated by the several states. When this program is an accomplished fact it will be an easy step to the next stage—federal handling of all private life insurance. Fire insurance, casualty insurance, surety and other insurance systems will follow as a matter of course.

All private insurance organizations are passengers on the same train. The destination is the same. The end of the line is a station called Government Operation and Ownership. There they will be divested of their baggage, baggage that the political control group want most of all. It contains some \$33,000,000,000 of assets held by the institution of insurance for the protection of its policyholders. It is a large "hope chest."

There is ample precedent for this in the totalitarian states. Insurance is now a government function in Russia, Germany and Italy. In these countries, private companies and their assets have either been entirely confiscated by Government or are under complete political control.

To understand the serious situation which the institution of insurance in America is facing today, it also is necessary to understand the tremendous importance of insurance in the maintenance of what remains of our free economy. The life insurance investigation now being con-

To guide capital issues

Business will logically be required to disappear. This is not an overstatement for the sake of emphasis; it is literally meant. . . . National planning implies guidance of capital uses. . . . New industries will not just happen as the automobile industry did; they will have to be foreseen, to be argued for . . . or seem probably desirable features of the whole economy before they can be entered upon. . . . It would be comparatively easy to dynamite the industrial system.

—Rexford G. Tugwell, advocating centralization of credit in the hands of the Government

Prophetic

The great and necessary accumulation of the life companies creates a real peril, a peril, as the American Bar Association so aptly described it some years ago, that always surrounds "money in sight." "Why," cries the demagogue, "should this money not be used to relieve our particular distress? Why not legislatively take these companies by the throat and shake the necessary money out of them?"

—Darwin Kingsley, former President, New York Life Insurance Company in 1920

Efficient, safe

The real thrift of the American people is channeled in provident institutions created almost unconsciously but with amazing detail, that are set apart from the thrifty man's ordinary gainful pursuits. He has built up savings banks, building and loan associations, trust companies; and safest of all our financial institutions is American life insurance. American life insurance shines at the apex of our devices for thrift. It is probably the most powerful, most efficient and most widely useful of all our democratic financial institutions.

—William Allen White, Editor,
Emporia, Kansas, Gazette



In the World War the institution of insurance aided in developing plans for installation of fire fighting and fire prevention facilities at cantonments, and served in other ways

ducted in Washington under the auspices of the Temporary National Economic Committee, and planned and directed by the Securities and Exchange Commission, will be meaningless unless it is made apparent why insurance is now attacked.

It is a characteristic danger of great nations with a long history of continuous creation that they may fail from not comprehending the great institutions which they have created. This is particularly true of the institution of insurance in America. It has been accepted without understanding. An effort, therefore, will be made here to outline some of its achievements and point out its indispensable service in the realm of free enterprise.

An anchor to windward

INSURANCE, simply stated, is a device to mitigate and lessen the economic consequences of many of the uncertainties which beset human affairs.

It is perhaps our most universal private enterprise, reaching either directly or indirectly all classes of people, all industries and all ventures.

It cannot be too often emphasized that the institution of insurance, privately controlled and operated, is absolutely indispensable to the development and preservation of a free economy and a free society.

Insurance exists only among people who prize and cherish private property and the human rights associated with private ownership. Where the individual is of no consequence except as a unit in a mass, and where commerce and industry are state dominated and operated, there can be no real insurance—there is nothing to insure.

Insurance protects the values created by men and women who work for themselves. The funds accumulated to guarantee protection are composed of voluntary contributions to a distinctive private enterprise, managed by persons and corporate organizations entirely apart from the structure of government.

If there are those who believe that the human desire to own and control property is being diminished by socialist and communist propaganda in this country, they will be disillusioned by the insurance records. The tremendous and continuous growth of that business in recent years shows the extent of the overwhelming urge of the idea of possession and the companion urge to protect that which is owned.

Insurance, in a word, is capitalism at its best; capitalism in action.

People are inclined to appraise the values of institutions by their personal contact with them and by what they hear and read. Nearly everybody has some knowledge of banks, steel making, public utilities, railroads, manufacturing, oil production and other leading enterprises. Their position in the economic structure easily may be observed. This is not true of insurance. It is not tangible. It has no appeal to any of the five senses. It is represented by a rather involved contract hidden away in a drawer or safety deposit box, to be recalled only in case of emergency.

Perhaps the most important economic and social effect of insurance is the fostering of confidence. Men instinctively know that, if they are properly protected by insurance, they may have little fear of being deprived of the fruits of their labors by death, accident or other mischance.

Confidence thus promoted has been the chief stimulant of individual

initiative in America, and that initiative has been the leading factor in our unparalleled industrial development in the past century. That confidence, also, has been placed in a private enterprise and hasn't grown out of government guarantees or political operation. The institution of insurance has never betrayed those who have trusted it.

National confidence in the institution of insurance largely is due to its investment policy. To make certain the payment of claims as they may arise and to keep down costs, a large share of the policyholder's dollar is invested in interest-bearing obligations of many kinds. Unlike the Government, insurance companies must provide this year for a possible pay-off next year. They cannot levy taxes if they are short of funds when called upon to make good.

The invested assets of the institution of insurance in this country, as already stated, have reached the almost astronomical total of \$33,000,000,000. Life insurance accounts for \$28,000,000,000 of this. The remaining \$5,000,000,000 is held by fire and marine, casualty, surety and miscellaneous companies and organizations.

These funds do not actually belong to the private companies conducting the insurance business. They are held, under strict state regulation, for payment to policyholders when the time comes.

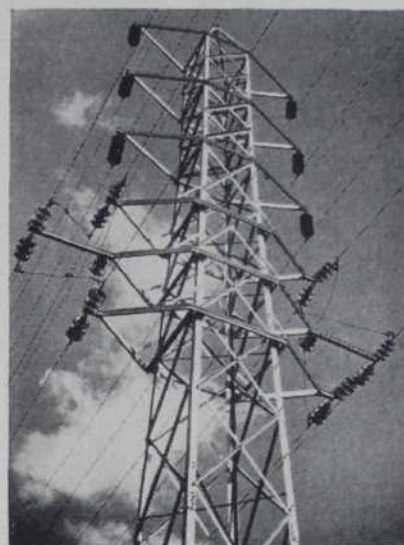
Insurance policyholders literally have built up the country, at the same time they have been protecting themselves. They have a greater stake than any class or group in the preservation of our free economy.

Money held in trust for them has provided capital for industrial and economic development in every section. It has poured a constant and ever increasing stream of productive funds into business. It has pushed forward railroad tracks and electric power lines, built street railway and gas plants, financed governmental bodies and agencies.

These insurance investments have helped erect factories and schools, steel mills, highways, automobiles, battleships and stores.

Agriculture has been largely aided by insurance investments; the farmer for years was one of the chief beneficiaries of the system. Insurance money often was the only capital available to him.

Insurance is also America's great home builder. It has financed more



EWING GALLOWAY

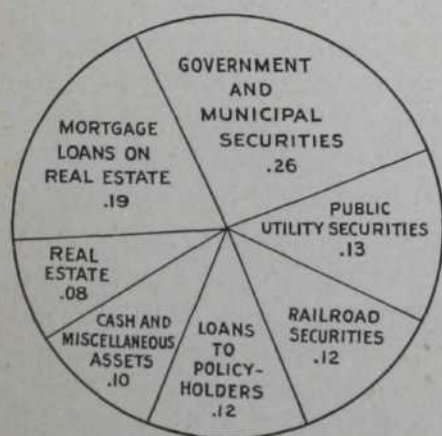
Living standards even of non-policy holders are higher because insurance funds played a large part in making expansion of utilities possible

Strength and stability

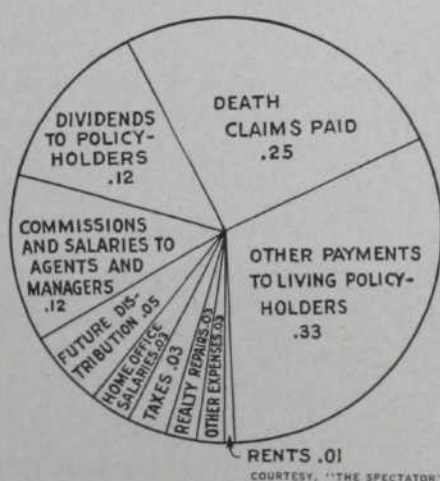
SENATOR O'MAHONEY: "It might be inferred that apparently the life insurance companies have not been compelled to operate on a deficit." DR. DONALD H. DAVENPORT: "Taking the industry as a whole, they certainly have not. There have been life insurance companies that have failed, that have been liquidated. . . . They have been small companies. Since 1930, 68 companies have been liquidated or absorbed by stronger companies, but they represent in the aggregate a small percentage because they were small companies." MR. DOUGLAS: "The total picture is one of great strength and stability, is it not?"

DR. DAVENPORT: "There is no doubt about that. . . ."

—From the Record of the T.N.E.C. hearings



Distribution of the life insurance invested dollar



How the life insurance premium dollar is allocated

COURTESY, "THE SPECTATOR"

Unfair attack

It is unfortunate that this magnificent structure (life insurance) which has been built by the thrift and frugality of our citizens and maintained by strict state laws and supervision and able management, would be subjected to an unjust and unfair attack.

—Statement by American Life Convention, Chicago, Ill.



BROWN BROS.

John Wanamaker had great faith in his own business ability, but he depended on insurance to protect his estate. He was among the first to carry \$1,000,000 life insurance

dwelling than any other agency. These loans have been characterized by a high degree of financial stability. Financial disorganization due to the depression led to the invasion of this field, and also the farm mortgage field, by the federal Government. As a natural result, insurance participation has recently lessened considerably.

The annual premium income of all insurance organizations in the United States is about \$5,900,000,000. This just about equals the amount collected by the federal Government in all kinds of taxes.

Insurance is voluntary

THERE is, to be sure, an obvious difference. The insurance premium is paid voluntarily; taxes are paid under compulsion.

Out of its receipts, the institution of insurance first must defray expenses incident to its operation. These are small, however, compared to the immense sums which must be put to work for policyholders. One of the biggest problems facing the business now is how to invest so that existing wealth will be preserved, new wealth created and gainful employment increased.

The federal Government is trying to get its hands on all the loose capital in sight. It now has a near strangle hold on investment outlets. To keep their money at work, the insurance companies are almost compelled to buy large blocks of government bonds.

Huge government borrowings and the government fiscal policy have materially lowered interest rates. Every life insurance policyholder is directly affected. From 1929 to 1938 the rate of return on life insurance investments went down more than 25 per cent; an approximate annual loss of \$400,000,000 to 64,000,000 policyholders.

The amount of insurance in force in this country is another index of the confidence people have in the institution of insurance as a privately conducted enterprise.

Life insurance policies outstanding have a value of \$113,800,000,000. Fire insurance companies in the course of a year protect property worth \$200,000,000,000. The companies writing casualty, workmen's compensation, accident, automobile liability, surety and fidelity bonds and a multitude of other lines, probably accept maximum liabilities of \$150,000,000,000 each year.

It is true that insurance produces no raw materials, fabricates no goods and controls no markets. Its trade-mark, however, is indelibly impressed upon nearly every man-made thing. Its sentinels stand guard at every way station through which the commerce and trade of the world passes in its journey from producer to consumer. It is only because of the protection insurance offers that civilized man may comb the world for his needs with little fear that he will be deprived of the fruits of his labor by the usual hazards which may be insured against.

It has been said that insurance is the best index of civilization; that nations may be judged by the extent of its use. This may be something of an exaggeration. It is true, just the same, that 65 per cent of the life insurance in force in the world is held by Americans. Also, their purchases of fire and casualty insurance protection probably exceed those of all the rest of the world.

The extent of the acceptance of the insurance idea in America seems

to be about the best evidence available in these perilous times that this country is fundamentally sound. There seems to be no better way to appraise the temper of our people and their basic political philosophy.

It is obvious that the investment method of insurance, in effect, makes every policyholder an investor—indirectly, to be sure, but none the less certainly—in those enterprises and institutions which employ insurance funds. He is dependent for the fulfillment of his insurance contract upon the stability and solvency of these enterprises, and more particularly perhaps upon the stability and solvency of the political sovereignty under which insurance investments are made. If the sovereignty of the state be undermined, if the capitalistic system be weakened or destroyed, the insurance policyholder will suffer proportionately and he is sure to be the chief burden bearer in the event of government chaos.

Insurance is really the chief tie-up between individuals and private enterprise and, if insurance policyholders can be educated to this fact and to the dangers which many of them are promoting under misapprehension, insurance should become the best guarantee for the perpetuation of democratic institutions in this country.

It is something of a mystery why many who pin their faith and hope to their insurance policies go about assailing capitalism.

It should be plain that an attack on capitalism is an attack on insurance. A successful attack will bring the institution of insurance to its knees, confiscate the savings of millions of policyholders and produce a condition of economic chaos.

Government takes savings

SUCH an attack has already started. The basic economic fundamental of insurance is under fire. The savings of the people are being diverted as rapidly as possible from creative enterprises which make for continuous employment into the non-creative enterprises of government; into projects which compete with private business.

This change is dramatically shown by insurance investment figures. The data is from the reports of 49 legal reserve life insurance companies with assets of approximately 92 per cent of all United States legal reserve companies.

In 1930, these companies had \$303,431,000 invested in United States Government bonds—1.8 per cent of their total assets. Their holdings of state, county and municipal bonds that year was \$587,205,000—3.4 of all assets. Canadian Government bonds made up 2.3 per cent and other foreign governments only two-tenths of one per cent.

The 1930 total intrusted to all such governmental securities was \$1,327,468,000—7.7 per cent of all investments.

During the interval between 1930 and 1938, the political and economic scene changed rapidly; new ideologies came to the front.

Government more and more did the spending and the borrowing; private enterprise was left to pay the taxes. Taxes collected, however, trailed far behind spending and the difference had to be made up by Government I.O.U.'s. There was a continually decreasing outlet for insurance investments in productive enterprises.

The insurance investment figures show the change. In 1938, these same companies had invested in all types of government bonds \$6,540,-

Too much centralization

There already has been too much centralization of authority in Washington with a subsequent weakening of states rights. . . . We oppose invasion in the field of private free enterprise by either the federal or the state Government. . . . We will unalterably oppose the sale of annuities by the federal Government. We are prepared to fight against any invasion by either federal or state Government into the field of life insurance which will endanger the savings of 64,000,000 policyholders.

—Charles J. Zimmerman, president National Association of Life Underwriters, at convention of state insurance commissioners, Biloxi, Miss., Dec. 8, 1939



NORMAN TAYLOR FROM NESMITH

The modern musician can insure himself against almost everything but sour notes. Standard policies are available for instruments, costumes and scenery



Keeping abreast of the rapid development of aviation, insurance devised a program to protect all who fly against accident to themselves or to other persons or property

Government getting the money

The government spending policy rapidly is draining policyholders' money from productive enterprises because the Government today provides the chief outlet for idle funds.

Investment allocation by percentages of the admitted assets (reserves held to protect policyholders as provided by state laws) of legal reserve life insurance companies of the United States in 1928 and 1938:

	1928	1938
	In Per Cent	
Farm Mortgages	13.3	3.1
Other Mortgages	29.2	16.3
U. S. Govt. Bonds	2.7	17.9
State, Local Bonds	2.8	5.8
Canadian Govt. Bonds	2.3	2.0
Other Foreign Govt. Bonds	.2	.0
Railroad Securities	18.7	12.1
Public Utility Securities	9.0	12.8
Other Securities	2.1	5.7
Policy Loans and Premium Notes	12.2	12.1
Real Estate	2.1	7.8
Collateral Loans	.2	.0
Cash	.8	3.0
Other Assets	4.4	1.4

(These figures are from the statements of 49 legal reserve life insurance companies which hold 92 per cent of the admitted assets of all companies.)

000,000—25.7 per cent of all assets. United States Government bonds represented \$4,551,000,000—17.9 per cent of all invested funds. These companies that year also held state, county and municipal bonds to the extent of \$1,475,000,000—5.8 per cent.

The startling and rapid, almost compulsory, diversion of the invested funds of these companies into government obligations over a period of eight years clearly indicates the socialistic trend.

Insurance policyholders today hold about one-seventh of the federal Government debt. Banks and their depositors hold more than one-third of this debt. So far, insurance investments in government obligations have been dictated by economic necessity—there is little else to invest in. Banks, however, have little freedom left and the money of their owners and their depositors is being increasingly requisitioned to finance government spending. The same power over insurance is now desired.

Government absorption of savings is transforming our economy into a system of state capitalism. The institution of insurance as a private enterprise still blockades the socialist built road leading to government oversight of the allocation and disposal of the savings of the people.

Insurance in depression

THE RECORD of the institution of insurance during the depression years is notable; it might even be called astonishing.

Because insurance depends so vitally on its investments, it would seem logical to assume that the crash of values would produce a large insurance mortality. Instead, however, private insurance maintained its solvency and stability better than any other private enterprise, and certainly better than most governments.

It is fair to say that the institution of insurance under private management and control averted a much worse financial disaster than that which occurred. For several years it was the bulwark of our capitalistic system.

It is true that some insurance failures occurred, but compared to other industries of similar character, especially banks, these failures were negligible both as to the amount involved and their incidence.

Evidence of insurance stability in the depression period is to be found in the reports of the Reconstruction Finance Corporation, organized to lend government money to financially ailing industries and institutions. The grand total of all loan authorizations to government agencies and private corporations from February 2, 1932, to December 31, 1938, was \$13,053,921,645.89. Of this amount, insurance companies were allocated only \$104,439,150.19, or eight-tenths of one per cent of the total. Actually the Corporation disbursed to insurance companies only \$90,693,209.81, the balance not being required. Practically all of these borrowings have been repaid. The outstanding loans on December 31, 1938, were \$2,997,204.90, only three-twentieths of one per cent of all the outstanding loans of the Corporation.

This record demonstrates that the insurance investment system, under state supervision and privately managed, amply safeguards policyholders; that the securities held by the companies were underlying and fundamental and did not, by and large, bog down when the test came. During this period, the federal, state and local governments piled up monumental deficits and piled on enormous taxes. On the other hand, the

institution of insurance, with trivial exceptions, continued to pay claims, invest in productive enterprises and remain thoroughly solvent.

The huge amounts paid to policyholders during the depression years by the institution of insurance tell a most impressive story. This private enterprise did more for relief than did the federal Government.

From January 1, 1933, when federal participation in the relief program began, through December 31, 1938, public expenditures for assistance to persons in need totalled \$12,871,327,000. In the same period, the private life insurance companies paid more than \$15,700,000,000 to policyholders and their beneficiaries.

It is pertinent to reflect on what Uncle Sam would have been compelled to do without private insurance help.

The life insurance record, however, does not tell the whole story. In that same six-year period, the fire insurance companies paid out because of losses approximately \$2,000,000,000, and the casualty, surety and miscellaneous liability insurance companies paid out about \$3,000,000,000. Here is another \$5,000,000,000 which private enterprise poured into the financial life stream of the nation.

No adequate financial summary of the insurance company failures in the depression is available. According to *Best's Life Insurance News*, May 1, 1939, failures in the life insurance field involved less than two per cent of the total insurance in force and about one per cent of the total assets of all companies. None of the large companies was involved.

As to failures in the fire and casualty insurance fields, it can be said that these were also comparatively small in amount and incidence; policyholders' losses were negligible.

The present depression is by no means the only financial shock which the institution of insurance has sustained and overcome. It has weathered several other depressions and has grown continuously through all of them. It is the one private enterprise in which the people have implicit confidence despite the usual Washington propaganda that there is "demand" for investigation.

Fire insurance companies often have been severely tested by great conflagrations. The Chicago fire of 1871 and the San Francisco fire of 1906 are well-known examples. Because of its sound and far-sighted private management, the business has survived these catastrophes and, with a few minor exceptions, paid all claims. The casualty companies also have suffered from major disasters, but have not been impaired.

Insurance supervision

INSURANCE is a business affected with a public interest. As such, it is strictly regulated and supervised by the several states. Under this democratic system of local control, insurance has grown to its present stupendous proportions in America. So far it has been miraculously saved from the blighting touch of the dead hand of federal bureaucracy.

With the possible exception of banking, insurance is the patriarch of supervised business. It began its career as a proper subject for regulation and legislation more than a century ago. Compared with it, the railroads and public utilities are neophytes in experience.

It is no exaggeration to say that more laws, rules, regulations and decrees have been made in regard to insurance than have been made regard-

Concerning "failures"

In the vast majority of cases, perhaps somewhere from 75 to 90 per cent of all policies covered or affected, the liabilities or reserves were immediately taken over by other strong, solvent companies, so that the policy-owner lost practically nothing from those so-called failures. I will say practically nothing because the percentage would only be a fraction of one per cent—and you can search the records of all kinds of business of the United States and you will not find one other major business with a record that would even approach that of life insurance during this period.

—W. T. Grant, President, American Life Convention, Addressing the Financial Section, American Life Convention, Chicago, March, 1939



HESMITH

The versatility of insurance makes it possible for this young woman to insure, not only the jewels she wears but her furs, or the family silver against most hazards—including her own carelessness

Fears Federal invasion

Certain inquisitors of the federal Government have adopted tactics to smear an honorable institution with a stick of tar, unwarrantedly shaking the confidence of policyholders and the investing public.

We agents feel that we have a citizen interest in state sovereignty, home rule and local self-government and we shall resist with others the rising threat of federal invasion.

—Sidney O. Smith, president National Association of Insurance Agents, at convention state insurance commissioners, Biloxi, Miss.



BROWN BROS.

Babe Ruth is one of many sport figures who found insurance the answer to personal savings. His teammate, Lou Gehrig, is another

ing any other business. The statutes (compiled laws) of the 48 states contain more than 4,300 pages devoted to insurance.

Insurance is unique in the fact that the power of supervision is vested exclusively in the states. It is the only major industry of national scope which the federal Government has not been able to regulate in some manner.

State control is based on a long line of United States Supreme Court decisions. The first and most significant of these rulings was handed down in the case of *Paul vs. Virginia* (8 Wall, 168). This held that the sale of insurance is a local transaction, governed by local law. Such a business, the Court said, does "not constitute a part of the commerce between the states." This meant that insurance was not subject to federal jurisdiction under the commerce clause of the United States Constitution.

There are a succession of similar holdings. In 1913, the Court greatly strengthened the case for state supervision by saying: "contracts of insurance are not commerce at all, neither state nor interstate." (*New York Life Insurance Co. vs. Deer Lodge County*, 231 U. S. 495.)

This is the present status of exclusive state insurance supervision. It is, of course, apparent that the group now attacking insurance is laying the groundwork for a reversal of these rulings by the present Supreme Court. Only in that way can they gain control of the business.

The wide scope of state supervision is not generally known. In the past quarter century, insurance regulation by states has been marked by attention to detail unequalled in the history of business regulation.

Decentralization helps growth

DECENTRALIZED state supervision keeps the control of insurance and its assets out of the hands of any political group or party. It divorces regulation from socialistic schemes or communistic theories. Confiscation by a centralized bureaucracy is made impossible. Such a program cannot be carried out under the present system.

State supervision also has given the insurance business a wide latitude in developing new forms and types of protection. Since it is a flexible system, opportunity has been given for experimentation. Often the results have been beneficial and have been incorporated into the national structure of the industry. All this would be impossible under an inflexible and bureaucratic federal regulatory scheme.

It is inconceivable that the institution of insurance could have grown to its present size and strength if supervision had from the beginning been centered in Washington.

State supervision also has prevented the growth of insurance monopolies. There are no such economic monsters in the business. On the other hand, federal control points to the biggest monopoly of all—government monopoly.

The insurance buyer today is fancy-free in his choice of insurance protection. He may buy from any company admitted to business in his state any type or kind of policy approved by the state.

At least 3,000 insurance companies and organizations of various kinds are doing business in this country. In every state there are enough of them and enough competing agents to suit the most exacting anti-monopolist. Many of these are local concerns, operating in restricted territories.

The group sponsoring the insurance investigation shows an eagerness to discredit the system of state regulation. Little progress can be made in socializing the institution of insurance until there is some form of federal supervision.

Evidence at the hearings has tended to indicate a policy to substitute federal for state supervision. It is now known that Securities and Exchange Commission examiners have been for some time going through the records of three middle western life insurance companies which were victims of the depression. Already the affairs of a small Kansas company which succumbed to financial and managerial difficulties have been presented at the hearings. The plan is to develop an insurance "scandal" serial story out of these affairs, and use the situations disclosed as an argument for federal, as distinguished from state, supervision.

The principles of private insurance are the direct antithesis of the doctrines of Karl Marx and his successors. Those who believe in the omnipotent State, those who condemn capitalism and those who like to plan the lives of others—they may be classified as communists, socialists, pseudo-liberals, or the like—are aware of this. They see the intimate relationship between insurance and every other capitalistic enterprise and feel sure that, if they can control it, they can control everything else.

This reasoning is entirely logical. Federal domination of insurance means power over billions. It also offers the bureaucracy an opportunity to invade the home, the office, the store, the factory, the farm and the mine more directly and intimately than any other scheme would permit. There is, indeed, a "pot of gold" with accessories at the end of this socialist rainbow.

Twenty-five years ago when the Non-Partisan League got control of North Dakota, A. C. Townley, its very practical leader, urged the legislature to confiscate all insurance company assets in the state. He argued that, with these assets and with the use of premiums, he could finance his state bank, state flour mills, state grain elevators and state housing projects without resort to higher taxes. Nothing ever was done about this, but Mr. Townley had the idea long before it gained prestige in Washington.

Agency system under attack

THE AGENT will be among the first victims when the federal Government gets a foothold in the insurance business. He doesn't yet know what is in store for him but the Washington planners do. The hinges of the "Exit" door are being oiled and the skids leading out from it greased.

The American system of selling insurance does not fit in with the "cafeteria" plan which the politicians hope to put into operation. This scheme provides that banks, post offices, and other similar instrumentalities shall be used for the distribution of government insurance policies. Federal supervision of private companies also would be used to curtail the agency system and eliminate the independent agent as far as possible.

A foundation is being laid for a direct attack on the selling system at the hearings on life insurance before the Temporary National Economic Committee. No opportunity has been missed to cast doubt on its economic and social efficacy. Efforts have been made to show that many





BROWN BRGS.

Policies on stamp collections and art collections are other phases of insurance that most people seldom hear or think about

"Banks need no profits"

The theory that a bank must "make a profit" today has ceased to be valid, except in an extremely limited sense. The profit of the bank is interesting as showing that, by financial standards, its work has been well done. In the sense, however, that the bank is "entitled" to a profit, as a reward for something or other, there seems to be no reason for its existence.

—A. A. Berle, Jr. Assistant secretary of state, before T.N.E.C.

agents are ignorant of the business they represent, supply no services to justify their earnings and, in general, are superfluous.

Questions have been asked indicating that some of the inquisitors believe that, if the agency system is to be temporarily retained, life insurance agents should be on salaries and not paid by commissions. This bait has not been overlooked by some actual and prospective agents who would like to get on a government pay roll, and they have swallowed it whole. As a result, political pressure already has been brought in several quarters not only to create a federal insurance system but to give the petitioner a job. Companies also have been importuned by some of their salesmen to put them on a salary basis.

Similarly, if proceedings are carried out as planned, agents of fire and casualty companies will become restless over charges that some are underpaid or discriminated against by the commission system of compensation. It is felt that such suggestions will cause confusion in this branch of the business making it easier later on to eliminate the agency system.

Insurance is sold, not bought

THE American system of selling insurance through agents or other representatives, however, is too strong, too deeply fastened to our social and economic life, and its members too loyal to the business they serve, to be much affected by such tactics. Some may succumb to the lure, but most insurance salesmen know that federal supervision means their economic demise.

Insurance is *sold*, not *bought*.

The reason the American people own so much insurance is that it has been sold to them by agents or other representatives. It is the most remarkable exhibition of salesmanship in all history.

The simplicity of its selling system has had much to do with insurance success. It is a thoroughly democratic system, encouraging initiative and individualism.

People who need insurance do not generally go into the market place to buy it like food and clothing. Someone must sell it to them; induce them to invest. This is true of all kinds of insurance, but particularly true of life insurance. The tremendous scope of American insurance buying is the best proof of the general high character, ability, intelligence and zeal of the members of the agency system.

The institution of insurance as a privately conducted enterprise has prospered because it has missionaries in every hamlet, emissaries in every city and ambassadors in every state. It reaches everybody everywhere.

Not all insurance agents are perfect. That is true of the personnel of all human institutions. Even governments sometimes fail in selecting workers. Every activity has its quota of undesirables. The work of the world, however, must go on. The unfit continually are being weeded out. Business cannot grow where the cult of incompetency prevails. The growth of insurance shows that its selling force must of necessity be highly intelligent and honest generally.

The institution of insurance has been a pioneer in educating its salesmen. In recent years this work has been conducted on a more extensive

scale than ever before. The companies know that adequate service to policyholders is a necessity and that only well-informed agents or representatives can carry on such work.

Many life insurance companies conduct schools for agents in their branch and district offices and general agencies. Those working out of these offices report on schedule for instruction. Educational literature also is widely distributed. The agent who cannot profit by these opportunities finds he is no longer an agent.

Closer scrutiny than ever before is now being given to applicants for agency contracts. They must meet certain educational standards before they can start on the job.

The National Association of Life Underwriters also assists materially in this educational work. It is an association of agents and has branches throughout the country. Frequent meetings and conferences are held in every territory, the training of agents being the chief objective. Many other company and agency organizations, national and sectional, carry on similar campaigns continuously. There is no let-up in the efforts to teach agents to be good agents.

The fire, casualty and surety companies also are continually striving to improve the service of their agents. Several of these companies have for years maintained schools at their home offices in which intensive training courses are given to selected applicants over a period of weeks or months. They also hold educational forums in their branch offices and general agencies, and distribute large quantities of printed material containing information and suggestions among their agents.

The fire, casualty or surety agent holds a most responsible job. It has only begun when the insurance sale is made. He must analyze his policyholder's insurance requirements, must study problems arising in connection with every individual risk. He must devise a plan for protecting the buyer against all hazards.

Needs wide knowledge

THERE are so many types of coverage and kinds of policies in the fire, casualty and surety lines that the agent serving a big industrial establishment or a department store not only must be informed as to what is needed but he must have a good knowledge of insurance law. In many instances the insurance requirements of clients are continually changing, and the agent must keep abreast of these and maintain an almost daily supervision of the account. In the casualty business the agent must have full knowledge of laws governing liability, of laws regulating automobiles and highway traffic and of state workmen's compensation laws. Such information is necessary if he is to provide proper protection to clients. In the surety and fidelity bond business there are also many complications which require agents of superior intelligence and aptitude.

In the fire, casualty and surety fields there are also many organizations of agents devoted largely to educational activities. Hardly a town of more than 10,000 is without an agents' association. Each state also has its organization, and these are all headed by the National Association of Insurance Agents.

The mutual companies writing fire and casualty insurance have the American Mutual Alliance as their central organization. It conducts cam-

Fire and casualty assets

The *Spectator Yearbook* gives the total admitted assets of 608 fire insurance companies of all kinds at the end of 1938 as \$2,816,819,748. Of this amount, \$1,211,932,477 was invested in bonds—about 42 per cent. Stocks accounted for \$1,044,557,302—about 37 per cent. Unlike life insurance, fire insurance companies must keep their assets fully liquid so that they may meet an unforeseen catastrophe such as the San Francisco fire.

In the case of casualty, surety, accident and miscellaneous companies, the investment situation is more akin to life insurance. These organizations often have uncertain and long deferred liabilities. The 1938 admitted assets of 310 companies in these classifications totalled \$1,856,853,069, of which stocks represented \$334,535,888—18 per cent. Bonds represented \$1,005,441,089—54 per cent.



Insurance helped devise the building codes which protect life and health in modern cities and towns



H. ARMSTRONG ROBERTS

A surgeon's investment in instruments can be guarded against loss. So can a salesman's samples

Prosecution, not inquiry

No opportunities have been given for companies to reply to insinuations in questions as to their practices, nor have the witnesses been permitted to make full statements while answering trick questions propounded to them by the counsel. In fact, the tenor of the investigation is that of a prosecution rather than an impartial inquiry, and anything of a critical character has been headlined and publicized through every facility at the command of the S.E.C.

—Statement by American Life Convention, Chicago, Ill.

paings among the representatives of these companies and holds meetings at various points stressing education.

In every possible way, the institution of insurance is trying to improve the quality of the human material which serves it and its policyholders. Its educational efforts are already far ahead of those of many other major private industries, certainly far ahead of governments.

The attack begins

THE SURVEY that has been made of the social and economic importance of the institution of insurance has been a necessary prelude to an understanding of the attacks now being made on it. Reference has been made to the ambition of the collectivists to get control of this business for the purpose of thus controlling all business, and for other purposes. The campaign directed toward this end is being actively conducted in Washington.

The Temporary National Economic Committee is now engaged in investigating life insurance. The evidence presented at various hearings beginning last February has been gathered under the direction of the Security and Exchange Commission. It is plain from a reading of the testimony what the objectives are:

1. Make a case for supervision of insurance by the federal Government.
2. Suggest the elimination of the agency system.
3. Obtain material upon which can be based a recommendation for some type or types of federal Government operated life insurance in competition with private companies.

These are the obvious, immediate objectives. Government ownership and operation of all insurance cannot help but follow.

Federal supervision is to be inaugurated by giving the Securities and Exchange Commission authority over insurance investments—the heart of the business as a private enterprise.

Government life insurance has been proposed by Senator Wagner. A so-called government “burial insurance” scheme was presented to the Temporary National Economic Committee by the actuary for the Social Security Board, at the request of the Securities and Exchange Commission. The plan called for compulsory contributions “from everybody in the country, man, woman and child.” Systematic attempts are being made to discredit the insurance agent; to show he is useless.

The planners recognize that the institution of insurance is a private, free, national enterprise which so far has escaped federal control. They know it is the backbone of the capitalistic system. They are aware that, over a long period of years, this business was created and developed by the people themselves for their own protection and motivated by their confidence in the insurance principle as established in their free economy.

All of this is contrary to the philosophy of those who believe in the nursemaid theory of government. No private enterprise, they argue, should have such freedom or such an economic and social foothold. So they have begun, quite logically, to devise ways to alter the situation.

The first problem is getting the Government's foot into the banking and insurance door. Once this is accomplished, the socialist advocates of government ownership believe it will be easy to break in and seize the premises. Occupation of the premises will give control over nearly every productive enterprise.

The plan to transfer the American institution of insurance from private ownership to federal ownership has been skillfully worked out by its promoters. It is not the visionary scheme of professional reformers and crackpots—the “lunatic fringe” as Theodore Roosevelt called them. Investment regulation by the Securities and Exchange Commission is scheduled as the first objective. This is to be quickly followed by federal supervision in place of state supervision. Federal competition with life insurance is to run concurrently with these plans. The final step is complete government ownership of all insurance and the control and allocation of insurance assets.

The groundwork has been laid for this ambitious undertaking by the establishment of the so-called social security system, including compulsory payments by employees and employers into the old age pension and unemployment insurance funds. The Treasury Department's "baby bond" scheme, whereby the Government solicits savings subscriptions from small investors on a ten year payment basis, is in effect an annuity system. Already \$3,000,000,000 of what might have been productive capital has thus been absorbed and spent by the Government.

The plan to subjugate insurance to conform to this pattern has been discussed in high circles, and has been quietly outlined by official and semi-official committees and commissions.

Writers prepare the way

PERHAPS the first material evidence of this plan was the publication in 1933 of the forerunner of a series of books and pamphlets severely critical of private insurance, and particularly of life insurance. It didn't just happen that the author of this book, entitled "How Safe is Life Insurance?" was L. Seth Schnitman, identified on the cover as, "Formerly Chief of Division of Survey of Current Business, United States Department of Commerce." In his preface (Pages XII and XIII) Mr. Schnitman says that, if changes are not made (as he suggests in the body of the book) in the life insurance business, "policyholders will probably demand a closer investigation of insurance practices, and this investigation may lead ultimately to federal supervision or federal control."

Beginning early in 1937, and coincident with the general business decline of that year, several of the more militant advocates of political control, including members of the Cabinet, went before the country in a series of speeches denouncing industry generally and a number of alleged monopolies in particular.

Coming at a time when the people were struggling to overcome a peculiarly acute attack of financial melancholia, these diatribes were not well received and produced severe political repercussions.

As a result, the business-baiters were forced into temporary retirement. From the standpoint of practical political expediency, however, when a hue and cry of this kind has been started it cannot be too abruptly quieted. It was therefore necessary to devise some other and less alarming method for carrying on the campaign; trust-busting has been such a fruitful political issue for all parties for so many years that it must, at all cost, be kept alive. The Temporary National Economic Committee seemed to meet the need.

This committee came into being as the result of a Joint Resolution

“Uncle Sam, insurer”

If the life insurance business will not capitulate and submit to federal regulation now, we Americans will one day awaken to a new order of government which can and will derive its principal revenues from 125,000,000 policyholders.

Why, then, should not the federal Government undertake the existing liabilities of the insurance world, and once and for all provide for itself an instrumentality which for all time should produce revenues large enough to defray the ordinary cost of government?

Why should not the federal Government, in its growing omniscience, enlarge the scope of its rising social consciousness to the point where federal taxation may be materially reduced and perhaps entirely eliminated by taking for itself a monopoly of life insurance?

—*How Safe is Life Insurance,*
by L. Seth Schmitman

Let Government do it

No need for futile attempts to regulate the present life insurance business. Just authorize the Government to insure all of its citizens at reasonable cost to promote the general welfare, and see how quickly the citizens will respond.

Have the Government insure all of the citizens of the United States in a reasonable amount as a recognition and benefit of citizenship and have the cost taken care of by the Government as is done with any other item of national expense, rather than by the collection of separate premiums from individuals.

—John Franklin Gaskill

passed by both branches of Congress and approved June 16, 1938. It was introduced by Senator Joseph C. O'Mahoney, of Wyoming. The Committee is most curiously constituted. Its membership includes three Senators, three Representatives, and one representative each from the following six governmental organizations: Justice, Treasury, Labor, Commerce, Securities and Exchange Commission and the Federal Trade Commission. The duties of the Committee are defined specifically in Sec. 2 of the Joint Resolution, as follows:

(a) To make a full and complete study and investigation with respect to the matters referred to in the President's message of April 29, 1933, on monopoly and the concentration of economic power in and financial control over production and distribution of goods and services and to hear and receive evidence thereon, with a view to determining, *but without limitation*,

(1) the causes of such concentration and control and their effect upon competition;

(2) the effect of the existing price system and the price policies of industry upon the general level of trade, upon employment, upon long-term profits, and upon consumption; and

(3) the effect of existing tax, patent, and other government policies upon competition, price levels, unemployment, profits, and consumption; and shall investigate the subject of governmental adjustment of the purchasing power of the dollar so as to attain 1926 commodity price levels; and

(b) To make recommendation to Congress with respect to legislation upon the foregoing subjects, including the improvement of anti-trust policy and procedure and the establishment of national standards for corporations engaged in commerce among the states and with foreign nations.

The joker in that Section will be readily discovered in the words in subdivision (a), "but without limitation." The sky seems to be the intended ceiling of this investigation and apparently the floor has been removed.

The Committee was organized with Senator O'Mahoney as chairman.

Preliminary tactics

IN PREPARING for the hearings, the Temporary National Economic Committee wanted a New Dictionary, so it called in Stuart Chase who prepared what he called "Preliminary Suggestions for Standardizing Terminology, or First Aid to the Layman." It was exclusively for the education of government witnesses at the hearings, to teach them to use "good" words and to avoid "bad" ones. Witnesses representing the "defense" did not have the benefit of the new word program.

The Chase monograph starts out by discussing "savings." The author says this is a "good word, tenderly regarded on the folkways." It means "the share of the individual's annual income which is not spent for consumers' goods and services."

These savings are deposited in "savings reservoirs—insurance companies, trust companies" and the like where they are transformed into "institutional savings." These institutions then try to find what Mr. Chase calls "investment opportunities." He adds that "investment is a 'good' word." "Hoarding" is classed as a "bad" word.

Mr. Chase has much to say about the "good" word "investment." "Serious confusion arises," he confides, "unless the speaker makes clear whether he is talking about physical investment—stuff you can kick with



H. ARMSTRONG ROBERTS

The farmer was for years one of the chief beneficiaries of the insurance system. Insurance money was often the only capital available to him

At expense of taxpayers

The evidence introduced in regard to industrial life insurance would indicate an intention to recommend the introduction of a bill which has as its object the virtual elimination of all private industrial life insurance in the United States by enlarging the scope of the activities of the Social Security Board to provide for such industrial life insurance at the expense of the taxpayers of the United States.

—Statement by American Life Convention, Chicago, Ill.

your foot, or financial investment—stuff you can crumple in your hand.”

The author doesn't like such terms as productive enterprise, capital goods, producers' goods, capital outlays, wealth, assets and many others. He doesn't tell why. Also on the taboo list are “capital,” “productive capital,” “productive investment” and “capital formation.” “Self-liquidating investment,” on the other hand, he says is a “good” term.

Mr. Chase also is not on good terms with the word “debt.” He says it “is a very ‘bad’ word in the folkways.” In his opinion “it is important to keep debt and investment closely associated throughout these hearings.”

“Spending is a ‘bad’ word,” says Mr. Chase. “Avoid it like a copperhead.” He suggests that government witnesses should use such terms as “government running expenses” and “government plant.” “Always remember,” he continues, “that every dollar spent by the Government is usually a dollar of sales on the books of some business man. Keep spending firmly associated with sales, wages, purchasing power—all ‘good’ words.”

He adds that “‘economy’ is a beautiful word” but that “the act of economy should not be regarded as an absolute good, but only a relative good, depending on the evils inevitably bound up with it.”

Investigating economic power

IN ITS preliminary report dated July 14, 1939, and headed “Investigation of Concentration of Economic Power,” it is set forth that “the Committee has approached its task solely with the intention of coordinating and summarizing as much factual evidence as possible on the operation of the economic system.”

Its first action in carrying out this task was to assign to the various organizations represented on its membership the duty of preparing and presenting “factual evidence” regarding certain business enterprises and institutions within their particular jurisdiction. The Securities and Exchange Commission, says this report, “was asked to deal with the financial side of business, with particular attention to insurance, banking, and the use of the corporate device.” It must be noted that the Securities and Exchange Commission was created by law to regulate stock exchanges.

The rules governing procedure adopted by the Committee have given to the government organizations represented complete control of the scope of the investigations and the manner of presenting evidence at the hearings. The rules provide that hearings shall be based on data and evidence “collected as a result of the investigations and assembled by the various departments and commissions represented on the Committee.”

These agencies were given power to select witnesses and also to conduct their examination. The witness must confine himself to answering questions. He may not substitute prepared statements for testimony, “nor will prepared statements dealing with facts be allowed to be introduced at the hearings except with the consent of the department or commission making the presentation, unless the Committee in particular instance otherwise orders.” Witnesses also may not be examined or cross examined by their own attorneys.

This is a one-way street. Traffic is kept moving in one direction toward a dead end—federal supervision.

Mr. Nehemkis, apt pupil

T.N.E.C. EXAMINER PETER R. NEHEMKIS, JR.: “Dr. Hansen—I take it that you meant by ‘capital stock’ physical plant—something you can kick with your feet.”
DR. HANSEN: “That is right.”
MR. NEHEMKIS: “As distinguished from a piece of paper which you crumple in your hand, is that correct?”

—From Record of T.N.E.C. hearings



Modern workmen's compensation laws are made possible because of the researches and selling energy of insurance men

"Must"

Each item in this questionnaire must be answered fully and completely, unless such information is not known and is not available, in which event a specific statement to that effect shall be made and the reasons the information is not available shall be set forth.

—General Instructions, No. 1
Government Insurance Questionnaire

A random sample

Explain the practice of the Declarant during the years 1929 to 1938 inclusive, with respect to accounting for real estate taxes paid in connection with or in anticipation of foreclosure or voluntary conveyance in lieu of foreclosure. If any distinction is made by Declarant with respect to taxes accruing prior to the institution of foreclosure proceedings or during the period of redemption, explain.

—Question No. 8, Supplemental Insurance
Investment Questionnaire

An advertising inquiry

State for the calendar year 1938 and separately for the first six months of 1939 the basis used by the Declarant in determining advertising expenditures, as, for example, percentage of premium income; state the amount of advertising expenditures made during such period in accordance with the following classification: (Here follows a list of advertising media, magazines, newspapers, insurance journals, etc.)

—Question No. 11, Insurance
Sales Questionnaire

This set-up was planned so that the participating government agencies might direct the investigation along lines compatible with the social and economic viewpoint of those in control. Little effort has been made to confine the inquiry to the objectives set forth in the Joint Resolution.

Life insurance was first on the agenda of the Securities and Exchange Commission. It appointed a large staff of investigators and statisticians and also a special counsel. The cooperation of the companies was freely given. They were glad to help in any way in what they believed to be a fair and legitimate inquiry by an authorized and seemingly impartial government agency into the American economic system.

Then came disillusionment. A legion of inquisitors, armed with pencils and pens, descended upon the offices of the principal life insurance companies. Although the investigation had been advertised as an investment study only, the Security and Exchange Commission sleuths concentrated on company business records and correspondence files. They scrutinized personal letters, confidential memoranda, inter-office communications and other similar material wherever found. It was the greatest fishing expedition in all history.

Legal rights don't help

GOOD lawyers contend that no legal right existed for much of this performance. It was more in the order of a "hold-up." Nowadays so-called legal rights are little protection to persons or corporations against government investigations. Those who protest are damned as "obstructionists" and "princes of privilege," or even worse; if they do comply, they are discredited and held up to public scorn and ridicule.

The Securities and Exchange Commission also sent out giant questionnaires to all legal reserve life insurance companies. These require answers to thousands of questions and the production of mountains of statistical material. The first of these, dated September 8, 1938, consists of a mere eight pages devoted chiefly to requests for historical information and similar routine.

Then came a mammoth "Investment Questionnaire," followed by a "Supplemental Investment Questionnaire." Combined, these represented 149 long, legal sized, mimeographed sheets.

To indicate the minute detail of this curious and ponderous inquiry, this question is illuminating:

First Section—Subdivision 17—page 5:

State whether the Declarant employs persons whose principal activity is assisting the Declarant in obtaining opportunities for investment by private negotiation. If the answer is in the affirmative, state the number of such persons, the cities in which they are active, if specific territory has been assigned and the specific financing which has been obtained in part or in whole through their efforts.

In this connection, it is well known that the Securities and Exchange Commission is very unhappy over the fact that several large and sound corporations recently have sold privately whole bond issues to insurance companies without the necessity of going through the expensive and tedious rigmarole required by that body.

Insurance companies are not complaining about some of the questions asked in this investment inquiry. Most of this kind of information, how-

ever, was readily available to the investigators in the reports of state insurance departments and various annual statistical publications relating to insurance. The broad scope of the questionnaires, on the other hand, indicates to those who have studied them that they were prepared for the purpose of establishing a case for federal insurance supervision and operation.

The 33-page "Sales Questionnaire" is another example. It seeks minute details of the selling systems of the legal reserve life insurance companies. "Home Office Management" is first explored. The companies are required to state the number of managers, supervisors and agents in the field for each year from 1925 to 1938. Information about the training of agents, the manner of their selection, commissions and expenses paid, and details of all selling costs are asked for. The supposition is that this data is to be used to demonstrate the claims that the insurance agent is useless and that selling costs are excessive.

That a definite plan exists among the collectivists at Washington to bring about the socialization of insurance under federal auspices reasonably may be deduced from the testimony produced at the public hearings on insurance conducted by the T.N.E.C. Since last February there have been five series of these hearings.

"The scientific spirit"

THE investigation opened February 6, 1939, with the submission of a general statement of objectives by William O. Douglas, then chairman of the Securities and Exchange Commission:

From the start it has been our desire to conduct this inquiry in as scientific a spirit and in as objective and impartial a manner as possible.

Many of the witnesses representing private insurance companies feel that these promises have not been kept. They contend that the "scientific spirit" is strikingly similar to that of the medieval star chamber. They acknowledge, however, that the proceedings have been "objective" in that they have been directed chiefly in making out a case for federal interference with their business.

The investigators have not gone into the accomplishments of the institution of insurance. They have ignored the social and economic benefits, through good years and through depressions, which have accrued to the people through the functioning of this private enterprise. The inquiry, on the other hand, it would appear from a study of the testimony, has solely been devoted to adverse criticism.

The Security and Exchange Commission examiners apparently have had a grand time with their new toy. Harassing business is a popular and engrossing pastime in Washington. These investigators proudly and openly say, in the quaint "scientific" argot which pervades Washington, that they have been engaged in digging up "dirt" and that more is to come.

After the statement by Mr. Douglas at the opening hearing he introduced Gerhard Gesell, counsel for the Securities and Exchange Commission insurance study department, assigned to the duty of presenting the evidence and examining witnesses.

The first person called was Donald H. Davenport, special economic consultant to the insurance section of the Securities and Exchange Com-



HARRIS & EWING

Gerhard A. Gesell is now about 30 years old. He appears as attorney for the Securities & Exchange Commission in public hearings having to do with insurance before the Temporary National Economic Committee. He is a native of New Haven and a graduate of Yale Law School. He has been with the S.E.C. on the staff of the General Counsel since 1935 and has been active as a trial lawyer in enforcement cases.

Suspicious?

As to each public relations counsel employed by the Declarant during the calendar year 1938 or the first six months of 1939, give the name, the reason for employment, the amount of remuneration, and the amount of expenses incurred as to which reimbursement was made by the Declarant.

—Question No. 12, Insurance Sales Questionnaire



BUCKER FROM NESMITH

The man who buys a candid camera finds insurance ready to protect his investment in his hobby. The golfer may also protect his equipment or his liability if he cares to

Dr. Lubin prints a book

"The Massachusetts System of Savings-Bank Life Insurance" was the title of Bulletin No. 615 (113 pages) issued by the United States Department of Labor in 1935 and compiled by Edward Berman, of the department of economics of the University of Illinois. This was an elaborate and laudatory analysis of this originally state subsidized project to compete with private life insurance companies. Dr. Isador Lubin, commissioner of labor statistics and now representative of the Labor Department on the Temporary National Economic Committee, wrote the introduction. The Bulletin is credited to his Bureau.

Not "velvet"

This is not "velvet" in any sense. The difference of income over disbursements represents the increase in reserve funds required to secure future obligations to policyholders. There is no velvet or profit for the companies because whatever savings there may have been over that not required to insure safety have been paid already to policyholders as dividends.

—Frederick H. Ecker, Chairman of the Board, Metropolitan Life Insurance Co.

mission and associate professor in business statistics at Harvard University.

Dr. Davenport presented a mass of conventional statistical material designed to establish the size and economic and social importance of life insurance. He showed, for illustration, that, of the \$164,000,000,000 in life insurance throughout the world, \$110,000,000,000 is in force in the United States, England coming second with \$16,800,000,000. He also said that the income of life insurance companies from all sources, premiums, investment income, etc., had increased in the United States from \$25,000,000 in 1865 to \$5,257,000,000 in 1937. During the interval between 1890 and 1937 our population increased 100 per cent and life insurance in force 2,500 per cent.

"Bigness" must be shown

THE early testimony was directed mainly to showing how big the life insurance business is from the standpoint of investments, income and protection afforded. If a monopoly charge is to be made, a background of bigness is essential. Collectivists contend that all large concentrations of the savings of the people produce concentration of economic power which Government must always destroy or regulate. At the hearings, the confidence the people have in private life insurance, an enterprise of their own creation, was not touched upon.

Another table presented showed that from 1918 to 1937, inclusive, the legal reserve life insurance companies received income from all sources of \$20,900,000,000 in excess of all disbursements. The answer was that this money is necessary to build up reserves for the protection of policyholders.

At the afternoon session of the opening day Dr. Isador Lubin, commissioner of labor statistics representing the Department of Labor on the Committee, asked Ernest Howe, chief financial adviser for the insurance study, then on the stand, this question:

DR. LUBIN: "Let me put it this way: In order to meet the liabilities of the companies as they occur, this \$21,000,000,000 theoretically could have been non-existent and the insurance companies could still have met their liabilities?"

MR. HOWE: "Well, with respect to the period under review, that is, historically, in this period when life insurance has grown at such a rapid rate, that has been the condition. I do not think it is fair to assume that the reserves are not a necessary part of the institution."

Shortly after the hearings, Senator Joseph C. O'Mahoney, chairman of the Committee, issued a statement, under date of Feb. 27, 1939, summarizing the testimony and his conclusions. Referring to this excess of receipts over expenditures he called it "velvet."

The Committee heard much testimony as to the procedure employed in electing directors of mutual life insurance companies, policyholders in such cases being the voters. How directors are nominated and balloted for was described in detail.

In the normal course of events in any such investigations the managers consider a startling publicity feature essential to attract attention to what otherwise might be considered rather drab and technical proceedings. So veteran followers of such affairs were not surprised when, at the

session of Feb. 8, 1939, the great life insurance "scandal" was unveiled.

For weeks, special investigators of the Securities and Exchange Commission had been secretly gathering evidence with which to startle the world. Newspapers had been quietly tipped off to the impending spectacle. The victims, however, were kept in the dark.

The afternoon had opened with the more or less conventional testimony of Cletis E. Tully, assistant secretary of the Metropolitan Life Insurance Co. At its completion, Mr. Gesell called Edward Schurr, an industrial life insurance agent working for the Metropolitan Life Insurance Co. in New York City.

Mr. Schurr swore that, in the course of the company's biennial election of directors, he had signed the names of policyholders to the ballot. Twelve other industrial agents followed on the stand and testified to the same thing. It appears that these agents, instead of bothering to solicit policyholders for signatures to the election ballots, had concocted, perhaps with others, a labor saving scheme of trading signatures. There was no credible evidence that the office managers knew of this and there was no intimation that the company knew of it.

In the course of the testimony, President Lincoln of the Metropolitan Life interposed:

"Mr. Chairman, I insist on the right to say that I never heard of such a practice, and of course don't countenance it in any way, shape, form or manner."

Senator King asked the witness: "Can you give the name of a single person whose name you forged?"

Mr. Schurr replied: "No, I couldn't now."

The affair was good for many newspaper columns. One of the Committee members denounced the practice testified to as scandalous. Another characterized the agent's action as "forgery." Many who have examined the testimony say the whole matter was extremely petty and are of the opinion this "show" was put on to get some newspaper attention for the investigation. It is pointed out that the "so-called" forgeries had no effect on the election of company directors and were of no possible consequence to policyholders.

Other side not heard

THE DAY after this testimony was concluded, a group of 100 Metropolitan Life Insurance Co. agents from New York City and Philadelphia appeared and asked the Committee to permit them to be heard to deny the statements and insinuations that such forgeries were a common practice. They were denied a hearing.

Significant testimony as to the real intent of the promoters of this life insurance investigation was that given by Judd Dewey, Boston, deputy commissioner of savings banks life insurance in Massachusetts. This system was established in 1907 and permits mutual savings banks to issue life insurance policies, limited to \$1,000 on any one life. Reserves are established in accordance with usual life insurance practices, and these funds, as well as the general operation of the scheme, are supervised by a board of seven trustees appointed by the Governor. The state also provides an actuary, medical director and other like assistance. It was planned for the benefit of small policyholders, but it is permissible

Lauds state plan

MR. GESELL: "In the sparsely settled areas, Mr. Parkinson, have you ever thought of taking advantage of the provisions of the Federal Reserve Act which permits life insurance companies to sell insurance through national banks in towns of less than 5,000 population?—You never did try it, did you?"

MR. PARKINSON: "We never tried it, but you agree, I think, that there are some things that we are supposed, in the practical affairs of the world, to diagnose without trying and not submit everything to trial and error. This is one of the things I should be content to decide without actual trial."

MR. GESELL: "And yet, Mr. Parkinson, just think how unfortunate that would have been in the State of Massachusetts, if those who had an opinion such as yours had won out and savings bank life insurance hadn't come into effect. There, because some were willing to try it, we have a cheap form of insurance which is fulfilling a service, and which some people at least find fairly satisfactory, because they take policies in it. Even insurance people take policies in it."

—From the record of the T.N.E.C. hearings: Examination of Thomas I. Parkinson, president of the Equitable Life Assurance Society, by Mr. Gesell

State plan not so hot

How "unfortunate it would have been," says Mr. Gesell, if the state plan hadn't come into effect. But would it have been unfortunate?

Justice Brandeis in 1906 was chief advocate of the Massachusetts law whereby he repeatedly referred to it as "workingmen's insurance," "life insurance for the wage-earner" and "another great advance in the development through thrift of general prosperity by extending the functions of savings banks to the issuing of workingmen's life insurance."

No one questioned his sincerity then or now, his good intentions toward the underdog, his mental integrity. But, as this passing decade testifies, too many plans, conceived in good intentions, go awry because, for the most part, they leave out of account the factor of human nature.

The record shows that the plan, which is now put forward as some-

thing desirable for federal operation, failed of its worthy objective.

Nelson B. Hadley, retired Chief of the Life Bureau, Insurance Department, State of New York, wrote in April, 1939:

The propaganda, put out by the proponents of savings bank life insurance, has emphasized again and again that this was the insurance for the lowest income laboring class until a great part of the public has come to believe that this is a substitute for industrial insurance. When the public, as it will in time, realizes that it has been deceived, that the underwriting rules and regulations by which the poor laboring man has been prevented from getting this insurance were being kept confidential and secret, it will want to know the reason for it. The rules and regulations of the life insurance companies so far as occupational hazards are concerned are freely published to the world. Any one can get the printed facts. But the Savings Bank Life Insurance Department in Massachusetts claims it to be confidential.

In 1937 there were only 394 industrial policies written for \$92,500 of insurance by the 24 Massachusetts savings banks life insurance departments and the same companies terminated 259 policies for \$54,178 of insurance. This is quite a contrast to the large number of persons who were carrying large amounts of insurance and to the much greater and increasing class who are able to purchase single premium annuities in the savings banks insurance departments.

According to latest reports of the Commissioner of Insurance and the Commissioner of Banks of Massachusetts, out of the total of 137,612 insurance policies for \$139,706,498, there were 4,029 industrial policies and \$937,235 in amount in force.

In other words, after 32 years, 4,000 workingmen availed themselves of the plan with insurance of \$250 each, as against 69,000,000 industrial policies in force in the private life insurance companies. But bank directors and others of equal means bought under the state plan policies of \$25,000 and annuities of \$5,200!

Many a blue-print is drawn in Washington today to provide the more abundant life and make it "secure" after it is bought, but absent from the chart is the unchartable factor of human nature. One reason for the failure of state insurance is obvious. No need for an insurance agent to testify. We all know that the hardest selling is necessary to get us to buy the things we ought to buy.

Trade is not a static affair. When selling and advertising were eliminated in the state plan to reduce expenses and thus reduce rates, it was doomed to failure. It would be an interesting mental exercise to conjecture how many of the 4,000 industrial policies were bought of the state because of the assiduous promotion and selling of the insurance idea by the representatives of the private companies.

to obtain a \$1,000 policy from each of 25 banks, the real limit thus being \$25,000. Twenty-six banks are now writing this form of insurance, and the system for years was the beneficiary of a substantial state subsidy. A similar law went into effect this year in New York State. No agents are supposedly employed in either state.

For years government ownership advocates have heralded this Massachusetts experiment as a shining example of what might be accomplished. They claim in its behalf that it proves that private life insurance costs too much and that the life insurance agent is useless. The Washington group seeking to take over all insurance naturally sees in this device a convenient spring-board from which to discredit private enterprise. It contains the two essentials of their program—government control and no agents.

Mr. Dewey was not treated as were most of the life insurance executives, officials and agents, representing private enterprise, who had preceded him. There was no scorn in the attitude of the examiner, no attempt to discredit the system the witness stood for, no sarcasm and no innuendoes. It was a most friendly interchange and no opportunity was lost to bring out that government life insurance is a marvelous instrumentality for the betterment of mankind, and also that the agent really is a sort of fifth wheel to the economic wagon.

Among other things, Mr. Dewey was brought to Washington to cast aspersions on the conduct of industrial life insurance by the private companies. Despite the fact, however, that the Massachusetts plan was originally designed for those of low incomes, its acceptance by those in this classification has been negligible.

The committee was informed that the Massachusetts savings bank life insurance system, after 31 years of full operation (1908 to 1938, inclusive), only writes 3.163 per cent of the total amount of legal reserve life insurance in that state. The 1938 figures, presented in evidence, show \$154,788,376 in force in the system, and \$4,739,504,983 for all private companies. It is, of course, not apparent how this showing adds to the luster of government insurance or casts discredit on the life insurance agent. As of August 31, 1938, the savings banks had outstanding 82,221 policies. Of this number, 1,321 persons were carrying \$10,000 and 73 were carrying \$24,000. These hardly fell within any definition of persons with low incomes.

The circus atmosphere of some of these hearings was not confined to the 13 industrial life insurance agents who told so glibly of their forgeries. On August 29 the Committee had as its chief witness Morris H. Siegel of New York City, insurance counsellor.

Committee learns much

MR. SIEGEL for some time has conducted a sort of feud with several life insurance companies, and had much to tell the Committee in defense of his position. Being quite critical as to the manner in which the life insurance business is conducted, Mr. Siegel was well received. Introduced in evidence were copies of material from his pen and the Committee heard a transcription of one of his radio broadcasts.

Industrial life insurance so far has received more attention at the hearings than any other phase of the business. There is a reason for this.

For several years the politicians have been working on a plan to adapt the social security law to some sort of government operated life insurance system. This would have small limits, compete with private industrial insurance and be called "burial insurance."

The designation "burial insurance" was intended to have a sort of human appeal. It could effectively be promoted as a scheme to help the poor and the lowly and at the same time would tend to muzzle opposition. What politician, mindful of his future, could say "No" to a plan under which good old Uncle Sam would collect premiums from the poor and provide in return a fund out of which the funeral expenses of a breadwinner would be paid? Such a device, it is argued, would not cost the Government a cent and charges to policyholders would be small.

The industrial insurance investigation developed by the Securities and Exchange Commission at the Temporary National Economic Committee hearings apparently established the basis for the promulgation of the "burial insurance" plan. The Commission even went so far as to present evidence as to the cost of a compulsory nation-wide "burial insurance" project, which will be taken up later in this article. An agreed program, however, was to be reported to Congress early in 1940.

Senator Wagner takes a hand

THE DRAFTSMEN of this plan forgot to reckon with Sen. Robert F. Wagner of New York. As author of the Social Security law, the Labor Relations act and similar legislation, he has ideas of his own on this subject. On November 14, 1939, the Senator "jumped the gun" on his Washington colleagues and associates by announcing that he was preparing a bill to put the federal Government into the life insurance business on a much more ambitious scale than any heretofore proposed.

As reported by the press associations, Senator Wagner plans an extension of the present Social Security program to provide:

1. The establishment of a federal annuity system under the Social Security Board from which any citizen could buy a government guaranteed annuity up to \$100 a month, 30 per cent cheaper than he could buy the same contract from a private insurance company.
2. The sale of these annuities through banks and post offices in the same manner that postal savings and "baby bonds" are handled.

The press associations also report Senator Wagner as saying that one insurance official had told him that the private companies are interested primarily in annuities paying more than \$100 a month. It also is stated that Administration support is expected for the measure.

The original Social Security Law included a similar provision. The House Ways and Means Committee eliminated it.

One of the present arguments in favor of the Wagner plan is that pressure for such a government invasion into the insurance business is coming from all over the country. The sources of the pressure are not identified. This is an old political device for promoting legislation.

The day after the Wagner announcement, Holgar J. Johnson, president of the Institute of Life Insurance, New York City, pointed out that a large proportion of the annuities now in force are for less than \$100 a month.

Mr. Johnson further stated that the reports of several companies do-

"Illusions for sale"

The sponsors of the federal annuity scheme speak of selling annuities "at cost." How is the Government going to find out what an annuity costs?

The claim is made that the Government can sell annuities 30 per cent cheaper than private companies. It is true that the Government can eliminate costs of solicitation and taxes. But, at present, such items in the cost of an annuity and, in addition, all overhead, do not exceed 12 per cent—an extreme figure—and are generally considerably lower. How, then, can the elimination of such costs reduce the cost of an annuity by 30 per cent?

The talk of annuities paying as high as \$100 a month, coupled with the further talk of annuities purchased by payments of \$1 a month, is a subtle way of suggesting to the gullible, the ignorant and the uninformed that there is some magic by which small payments during the years of earning can be made to yield fat incomes later in life. A few figures are sufficient to blow that decoy to smithereens.

It is a scheme misleading to the taxpayer, or the prospective annuitant, or the voter or all three together.

—Raymond Moley



Many a young man or woman owes the opportunity to receive an education to someone's foresight in taking out an insurance policy



EWING GALLOWAY

Foresighted auto owners protect their own peace of mind and that of other drivers with collision and liability insurance

Raid into business

Float a government loan through sale of bonds, and a direct obligation emerges—but the Government gets money to spend on current activities. Set up a social security fund that runs into billions, and the Government likewise gets money to spend, by the double device of depositing bonds against the social security "loan," the proceeds of which are counted into the general revenue receipts of the Treasury.

These are business practices, the latter of which, new in this era, has its critics in the financial world.

But now comes a proposal that the Government go into the annuity insurance business, selling annuities as baby bonds and postal savings are handled.

More revenue for the Government! More money to count into the general treasury accounts, like the social security revenue! An obligation in the end, of course, like the ultimate social security obligation. But that's of tomorrow. What these revenue producers are after is money for today. Much of the structure of today's government spending is reared with no concern for the morrow.

—Minneapolis, Minn. Star.

ing a large annuity business showed that 90 per cent of these contracts called for individual payments of less than \$100 a month. American life insurance companies are making annual payments totalling \$97,529,421 on 283,306 individual annuity contracts, an average of \$28.69 a month on each contract.

He added that the average expense of writing single premium annuities contracts does not exceed $7\frac{1}{2}$ per cent for those which pay back dividends to policyholders and $6\frac{1}{2}$ per cent for contracts which are non-participating. Any savings from this made under a government annuity system would be at the expense of taxpayers.

Both the Wagner project and the rather meager lump sum "burial insurance" scheme are methods of getting the nose of the hungry government camel under the private insurance tent. It is now believed in politically informed circles that, after the annuity plan has been sufficiently discussed, it will be temporarily withdrawn. The "burial insurance" idea then will be offered as a compromise or substitute, and thus the way made easier for its approval. Annuities on a big scale can be held in abeyance until the camel gets far enough in to assure continued progress.

On November 21, a letter was read at the Massachusetts Insurance Society dinner at Boston from Senator O'Mahoney. In this letter he denied that the Committee or any member of its staff is "promoting any scheme for governmental competition with the insurance industry." The letter had been received just a week previously, which was the day of the Wagner announcement. It may be assumed that Senator O'Mahoney wrote it the previous day and had not at that time been advised of the Wagner plan.

It has, however, never been charged that the Temporary National Economic Committee, as a separate and independent organization, has proposed or indorsed any plan for federal insurance supervision or operation. Its function has been simply to hear the testimony and accept the evidence presented under the immediate direction of the Securities and Exchange Commission, an agency of the Administration.

Insurance for wage earners

IT IS impossible to summarize here the great mass of testimony produced in regard to industrial life insurance. This is a form of insurance developed by private enterprise to take care of the needs of small wage earners and others in the lower income brackets. Most of the premiums are paid in small weekly installments and are collected by the agents. Its immense popularity may be judged by the fact that in 1937 it represented 18.8 per cent of the total insurance in force in this country.

What the Securities and Exchange Commission was planning in the field of federal life insurance operation before Senator Wagner announced the annuity project was indicated by the testimony of D. C. Bronson at the August 31 hearing. Mr. Bronson is assistant actuary of the Social Security Board and evidently had been specially detailed to gather material and produce a plan.

Mr. Bronson submitted a table which he had prepared entitled "Total Deaths in the United States and Amounts of Payments Under An Insurance System Providing \$250 Benefits For All Deaths."

Questioned by Mr. Gesell, the witness said that, on this basis, it would

cost \$400,000,000 to pay all death claims in 1940, and this would increase until 1980 when the benefit outgo would approximate \$628,000,000. Expenses of operating the scheme were not included in these estimates.

Mr. Bronson also had prepared five plans for the operation of this compulsory insurance scheme. The first would require contributions of \$3.03 "from everybody in the country, man, woman and child." The cost increases as the assessment basis is narrowed and, under the final plan (Plan E), it would be \$7.55 for each contributor. Mr. Gesell developed the fact that under all these plans "everyone in the United States would be covered."

Collections by pay roll deductions

MR. BRONSON was asked about the expense of operating such a nationwide compulsory insurance system. He said he could not be definite about this, but estimated that it would range from 20 to 40 per cent. When possible, collections would be made through pay roll deductions, but the plan, it was testified, also would require collectors and agents—a new army of tax gatherers.

It also is significant that, in the examination of company witnesses throughout the industrial insurance hearings, efforts were made to have them say that industrial life insurance is in effect "burial insurance," and not life insurance.

The investigators explored the life insurance business from every angle. They inquired into intercompany conferences. How life insurance rates are determined and promulgated was gone into. The Committee learned how big risks are handled. Policy lapses and what to do about them consumed much time. Cash surrender values were examined.

The annuity system was thoroughly investigated. Group insurance was another topic. In this classification, 9,000,000 workers are covered to the extent of about \$12,000,000,000. It is the most modern of the beneficent services of life insurance. Group insurance, as well as industrial life insurance, in providing protection to the working classes, occupies the same field as the government Social Security system. It is the hope of the political control group to consolidate these enterprises under federal auspices, thus increasing the Government's field of operation.

There has as yet been no direct inquiry into the American system of state insurance supervision, its efficacy or its economic effect. No opportunity, however, has been overlooked to discredit the system and to prepare a background for the attempt which will be made to substitute federal supervision for it.

This became evident on October 21, 1939, when Mr. Gesell sent out one of the famous Securities and Exchange Commission questionnaires to all state insurance commissioners.

Mr. Gesell's letter is polite and seems to confine the inquiry to "information relative to the scope and character of legal reserve life insurance regulations." One need only read a page or two of this 14-page document to ascertain that the Securities Exchange Commission wants to know a lot of things not specified in the letter.

Information is first sought concerning the administrative machinery in each state created for the regulation of life insurance companies; the

Assessments—no reserves

MR. GESELL: "These plans in all cases are somewhat in the nature of a group term plan, are they not?"

MR. BRONSON: "Somewhat."

MR. GESELL: "They do not contemplate the building up of any reserve?"

MR. BRONSON: "That is why I say 'somewhat,' because group life insurance does contemplate building up a contingency reserve."

MR. GESELL: "And these do not?"

MR. BRONSON: "These do not."

—D. C. Bronson, assistant actuary of the Social Security Board, questioned by Mr. Gesell at the T.N.E.C. hearings in regard to his federal annuity scheme

Looking 40 years ahead

This table gives the estimated number of deaths at all ages among the entire population of the United States for calendar years 1940, 1945, 1960, 1970 and 1980. Also for those years it gives the benefit disbursements; \$250 is payable in a lump sum for each of these deaths.

—D. C. Bronson at hearing

Everything planned

MR. GESELL: "Do you think it would be fair to say that, if such a benefit plan as this were closely integrated with the existing Social Security system, that the administrative expense could be kept at a fairly low margin?"

MR. BRONSON: "To the extent that it could be integrated with the existing machinery of Social Security, it certainly would tend in that direction."

—From testimony at hearing

Seek "voluntary" aid

I am writing to invite your cooperation in filling out the enclosed questionnaire which requests information relative to the scope and character of legal reserve life insurance regulations. . . . The Commission recognizes that you are under no legal obligations to reply to this questionnaire and realizes it can obtain the information desired only with your voluntary assistance.

—Mr. Gezell to the Commissioners

Personal information sought

- (A) Name of official
- (B) Period of service
- (C) Principal business or profession of official prior to election or appointment, with particular reference to insurance experience.
- (D) Reason for separation from office, giving full particulars where separation occurred before end of term, as in cases of removal, resignation, etc.
- (E) Principal business or profession of official subsequent to separation with particular reference to insurance connections and experience.

—Question Ten from Questionnaire to Commissioners



H. ARMSTRONG ROBERTS

By carrying business insurance, partners may protect each other against interruption of their joint enterprise should either die

title of the supervising official, how he is chosen and the requirements, if any, for holding the office; the salary that goes with it; the term of office, and other similar questions.

The Securities Exchange Commission also wants to know whether the official has actually engaged in any other business activity during his term of office, and to tell all about it. Information also is desired as to whether the commissioner can engage in the insurance business.

That, however, does not by any means conclude the Securities Exchange Commission's prying into the political and business life of the state insurance commissioners. Question Ten has real meat in it. Some rather personal information is asked under five headings concerning each commissioner who has occupied the office since January 1, 1920, the indicated information to be supplied separately for each.

Other questions have to do with how the office is run, the number, duties and qualification of employees; also the cost of the system and a comparison with insurance taxes. The Securities Exchange Commission also wants to know how many life insurance agents there are and how many licenses have been revoked every year since 1929.

All insurance is involved

THE Securities and Exchange Commission has not yet heard the fire, casualty, accident, surety and other insurance services although a plan of procedure covering them has been evolved. Having accumulated the most assets, life insurance was naturally first.

The organizations just mentioned are said to write property insurance as distinguished from life insurance. This distinction is not quite correct. Several forms of casualty insurance—automobile liability, workmen's compensation, accident insurance—cover life values as well as property values.

American business, transportation and commerce generally depend on such insurance for protection. It is an indispensable adjunct to industry. Every property owner relies on it. It is the foundation of commercial credits. It safeguards investments. Banking, on its present scale, would be impossible without the security this insurance affords.

No collectivist system of government can succeed without control of these branches of insurance. With such control, the Socialist millennium will be more easily attained.

The 1938 underwriting profit of 300 leading fire insurance companies was only about four cents of the premium dollar. This is modest when it is remembered that a single catastrophe may wipe out the underwriting profit of many years.

Taxes accounted for more than five cents of each dollar. Computed at the average rate of 67 cents charged for fire insurance throughout the United States in 1938, the taxes this group of companies paid would have bought insurance on values totalling \$5,500,000,000 in that year. In relation to total sales, wholesalers in 1938 paid 1.37 cents and manufacturers, 3.37 cents out of each dollar received.

Other divisions of the fire insurance dollar include 46 cents for the payment of losses and expenses of adjustment, 25 cents to local agents as a service fee and 20 cents for management, prevention, engineering activities and so on.

Company records show that the average fire insurance agent earns about \$1,500 a year from fire insurance selling and servicing. In most cases, he receives additional income from handling other lines of insurance.

The institution of insurance in America has pioneered in developing programs which lessen, minimize and prevent the events and hazards which may befall the nation as a whole. The old idea of insurance was solely indemnity. The new idea is indemnity plus human and property conservation.

The new idea fills a social need and has a sound economic background. Prolonging life, preventing fires and reducing accidents are humane activities which also tend to make insurance cheaper. If insurance does not become the plaything of politicians, it may some day be bought almost as much for the services it supplies as for the indemnity it provides.

Companies insuring the owners of steam boilers from losses due to explosion are credited with originating accident prevention engineering. Fire insurance companies for half a century have specialized in campaigns to reduce fire losses. Boiler insurance is not bought today solely because of the indemnity it offers. It is bought mainly because its inspection system makes boiler explosions rare.

Fire insurance gives the public many collateral services. It surveys and recommends improvements in fire departments, suggests building laws which will lessen fire danger. It is interested in proper electrical installations; helps to prevent arson, maintains the Underwriters Laboratories to test and approve building materials and electrical and mechanical devices.

The casualty insurance companies for a long time, cooperating with the National Safety Council and other organizations, have conducted a national drive to reduce highway accidents. They have interested themselves in laws, regulations and devices affecting traffic safety. In the field of workmen's compensation insurance, these companies have for years inspected places where men and women work, have checked accident hazards.

This list gives only a hint as to the wide scope and social importance of insurance activities. It offers many other services.

The objectives are clear

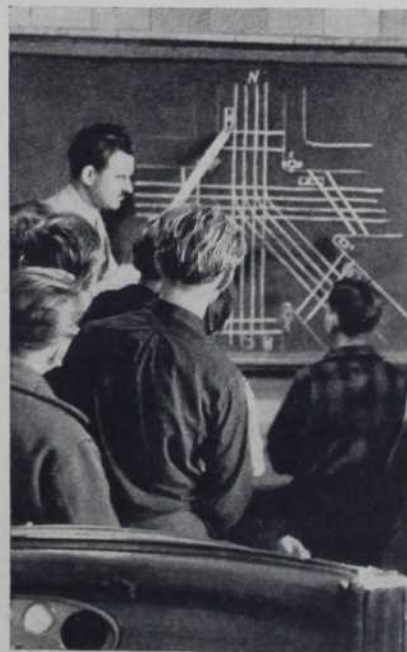
THE COURSE of the insurance investigation has been outlined; its objectives brought into clear relief. Those who believe in greater government control and operation of the business of the nation, it has been pointed out, proposed the inquiry and are carrying it on. The Temporary National Economic Committee is used as a popular sounding board to pave the way for legislation leading to federal supervision and management of the institution of insurance. The exclusive jurisdiction of the states over insurance has been challenged and state supervision criticized. Plans for federal annuity and "burial" insurance programs have been formulated.

Congress evidently had no such objectives in mind when it set up the Temporary National Economic Committee. The joint resolution called for an investigation of monopoly, not a study of how the states regulated the insurance business, or the desirability of federal annuities or "burial" insurance.

The American ideal

If a man does not provide for his children, if he does not provide for all those dependent upon him, and if he has not that vision of conditions to come, and that care for the days that have not yet dawned, which we sum up in the whole idea of thrift and saving, then he has not opened his eyes to any adequate conception of human life.

—Woodrow Wilson



Furthering its purpose of protecting life and property, insurance has inspired classes in safe driving

Government as Santa Claus

Government ownership is the product of loafing minds and loitering ambitions. As a theory, it lacks imagination, originality, inspiration and romance. As an actuality, it is a stupid, dull, languorous method of carrying on the work of the world. It is the substitution of government deficits for private profits. It is a stubborn barrier to industrial progress. It has never created anything except jobs. It is destructive of growth of wealth and productive of growth of debt. It is the Santa Claus idea of government, heralded by political sleigh bell ringers.

If reform is needed in our industrial system, it must come from within. Political government is not adapted to industrial government, and industrial government is not suited for political government. Business is conducted with a higher degree of fairness, equity and justice to those who are in it and with more appreciation of its responsibility to serve the public than any similar governmental enterprise. Industry, indeed, is running itself when permitted to do so, better than any government is being run. Industry is miles ahead of the requirement of the people, while most government organizations are miles behind.

The conspicuous government failures in the world have been in the field of government ownership. Whenever government goes into business it goes into the woods and gets lost, or it detours into the morass of politics and is swallowed up in the mire of patronage and expediency.

—Henry Swift Ives, 1920.

The investigation, it has been seen, follows the traditional methods of political attacks on the free enterprise system: discredit the operators, arouse suspicion and fear, then propose political control and operation as a substitute.

Two warring philosophies are at grips in the United States. It is not a local affair. We are caught in a great tidal wave, sweeping away the hard-won freedoms of the individual, and it is world-wide. Economic distress has caused millions of the earth's population to listen to the seductive promises of benefits to come if the individual will only transfer his rights to political agents. Freedom of action, liberty, is thus being whittled away. Under the banner of "reform," political authority is greatly expanding its functions and centralizing its power. Responsibilities of the citizen are delegated to political agents at the price of man's age-old effort to be a free spirit, to enjoy ordered liberty under law.

On toward Socialism

THE ISSUE is becoming clear. Manifestations of the slide into state socialism are more and more apparent. Every promise of the Socialist party in 1932 is under way and approaching fulfilment.

The hub of the socialistic or communistic wheel is control of the people's savings, the power to allocate funds held in trust by banks and insurance companies. As leaders of the movement here and abroad have said, it is the first and most important step, because such control carries with it power over all commercial and industrial activities.

The citizen who saves over a period entrusts his savings to any one of 3,000 insurance companies. His company invests his savings in wealth-producing enterprises under strict state supervision. This is in the American tradition. The citizen is now confronted with the first phase of a campaign through "investigation" to bring politics into the insurance field. As is the custom, the investigators will recommend certain government controls.

The initial entry will be "insignificant"; a little competition here, a degree of federal control there, a little part in the determination of how investments shall be made, a little hand in the administration of the operation itself. But the first steps along this road, as all history, and recent events here show, are never retraced, but call for further steps.

Policyholders and beneficiaries should be on guard, alert and vigilant to appraise and interpret intelligently present-day tendencies, not only to protect their personal interests but also, and more important, to safeguard an American tradition of ordered liberty under law, the culmination of man's greatest effort to be a free spirit.

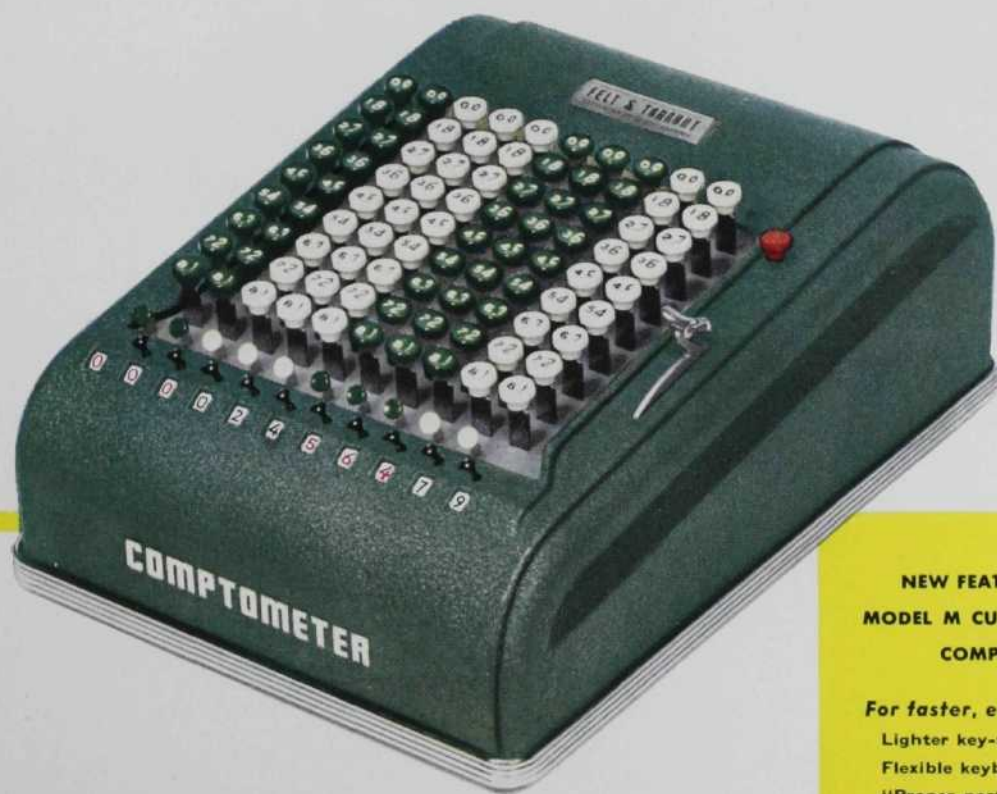
For if that tradition is lost to America, it will be lost to the world—it will be a tradition without a country.

Congratulations, "J. B."! Your department's *faster and quieter and happier* since you installed the new

MODEL M

CUSHIONED-TOUCH

COMPTOMETER



**NEW FEATURES OF THE
MODEL M CUSHIONED-TOUCH
COMPTOMETER**

For faster, easier operation:

- Lighter key-stroke
- Flexible keyboard
- "Proper-posture" design
- One-hand subtraction
- Improved decimal pointers

For greater quiet:

- Mechanism floated in rubber
- Scientific soundproofing

For improved appearance:

- Cancelling lever built inside case
- New color and modern, simplified lines to harmonize with modern office interiors

For minimized eye-strain:

- No-glare answer dials
- Larger, more legible answer numerals
- Restful grey-green color

No need to tell you about advantages for which the Comptometer is renowned: high speed, Controlled-Key accuracy, adaptability, simplicity (in short, "Comptometer Economy").

The strikingly handsome new Model M Comptometer combines all the fundamental Comptometer advantages with a host of new features and worth-while improvements!

Results: *Increased figure-work savings through increased efficiency.* Every improvement made in this newest

Comptometer arose from one consideration—to provide even greater speed, accuracy and economy in the handling of figure work.

To learn how the new Model M Cushioned-Touch Comptometer can help you substantially reduce figure-work costs, telephone your local Comptometer office for a demonstration (in *your* office, on *your* work).

Or, if you prefer, write direct to Felt & Tarrant Mfg. Co., 1712 N. Paulina Street, Chicago, Illinois.

"Unforeseen events . . . need not change and shape the course of man's affairs"



GETTING THE JUMP ON TROUBLE

At regular intervals, the bos'n inspects the ship's emergency equipment . . . checks life-boat gear, for example, for flaws that might cause a failure when this equipment is needed.

Aboard ship it's life-saving gear . . . in business it's *insurance*. And, as a new year begins, careful business men go over their own *emergency equipment* . . . their insurance coverage against unforeseen events. Changed conditions, new procedures, any of a dozen reasons can easily make

inadequate an insurance program that was satisfactory a year ago. More protection may be needed in certain spots . . . or, it might be, *less*.

Call in your Maryland agent or broker when you undertake this important overhaul. His advice will be helpful and sound, because he has had long training and experience in all phases of casualty and bonding coverage. For *real* protection, you need *regular* inspection. Get the jump on trouble! Maryland Casualty Company, Baltimore.

THE MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents are equipped to help you obtain protection against unforeseen events in business, industry and the home.

No Business Can Escape Change

We start a year of uncertainty knowing that developments of business will help the public

1 • A NOVELTY for decoration, particularly in children's rooms, is small cutouts of stars, moons, and the like of luminous paper. They glow in the dark; have a gummed back for easy application.

2 • A DOMESTIC stoker just introduced has no forced draft, burns with few clinkers and at a much reduced stack temperature. Ashes are automatically deposited in dust proof containers. Small sizes of coal may be burned and, if the current fails, firing may be continued by hand.

3 • GLOVES of a synthetic rubber for protection against many chemicals are now made with a turn cuff which forms a well and prevents liquid from running down the arms when the hands are raised.

4 • A FIRE-RESISTANT wall board for marine panelling is made of asbestos, can be painted and decorated or veneered with wood so that staterooms can have panelled beauty with a minimum of fire hazard.

5 • FOR STRIPPING baked enamels, varnishes, lacquers, paints, japan and synthetic finishes from metals there is a new solution which quickly floats off and emulsifies the coating. It is non-caustic, non-inflammable.

6 • A NEW SCALE for candy and small articles operates with weights and an over and under weight pointer. The scale is arranged in a tower with four faces so that it may be seen from any direction. It has a plastic housing with only the weight platter and commodity container exposed. It is accurate even when slightly out of level.

7 • A NOVELTY for pipe smokers is a pipe that permits raising the bottom of the bowl while smoking to keep the fire near the top. It is said to give a cooler smoke, and to eliminate the waste of dottle.

8 • A NEW ALLOY steel has the unusual characteristic of being machineable after being hardened to more than 450 Brinell. It is a chrome-nickel-molybdenum alloy designed for high tensile strength and deep, uniform hardening.

9 • A SELF-CLEANING steam valve has a disc which spins immediately before it is closed. Slanting turbine vanes on the side are so placed in conjunction with a deflector that, at the moment of closing, the disc spins long enough to keep the valve seat cleaned and polished.

10 • FOR CLEANING teeth where the brush won't reach, rubber is now made and packaged like dental floss. It has slightly roughened edges, is flavored, will not cut the gums.

11 • FOR STAMPING hot metals there is a type holder to be

swung like an axe that holds two lines of type characters. Both holder and type are of tough steel alloys. The type pieces are held in place by an easily changeable pin.

12 • A NOVEL squeegee for cleaning water, slush, and snow from floors, under tables or cars is V-shaped and designed so that while the handle may be raised or lowered, twisting it steers the squeegee. With a soft rubber blade it is particularly adapted for cleaning large uneven floors.

13 • FOR PROTECTION against heat when welding there is a new compound applied as a paste which is said to protect paint, rubber, glass, upholstery, and other materials near the spot being welded.

14 • A TIRE CHAIN for farm tractors has both right and left spiral links to prevent tightening up and has a zigzag type cross chain arrangement.

15 • A REAR VISION mirror for automobiles is made with two faces—one a clear mirror for daytime use, one glareproof for night driving. The mounting is such that it can be turned completely around.

16 • FOR GLASS coffee makers there is now made a stainless steel coffee filter which eliminates filter breakage and paper and cloth filters. It is coiled so that a valve action allows the hot water to come up after which the coils close for filtering.

17 • A NOVEL dispenser for holding and storing butter or cheese makes straight uniform slices, and closes up so that in the refrigerator it prevents picking up odors.

18 • FOR MIXING with oil paints a synergist is said to give a paint film that's tough, elastic, and extremely durable. The film is highly resistant to moisture and chemical fumes and has high alkali resistance and is not affected by fruit or weak mineral acids.

19 • A NEW PAINT which is a solution of a rubber-like synthetic has been introduced for use under extremely corrosive conditions. It resists acids, alkalis and salts in ordinary industrial solutions. It does not contaminate most plating solutions.

20 • A CEMENT for use with acid-proof brick in construction of tanks, floors, and the like is applied cold, is highly resistant to acids, liquids, oils, and fluctuating temperatures up to 300 degrees fahrenheit.

21 • AN ELECTRIC knife-sharpener is said to give an excellent cutting edge in ten seconds. It handles long or short, wide or narrow blades.

22 • FOR TRIMMING grass around buildings, walks, shrubbery, an ingenious electric tool is so designed that the cutters create suction and pull the grass away from stones and walls. It is easily operated, has a guard for the operator's safety.

—WILLARD L. HAMMER



23 • AUTOMOBILE tires are now made with one white sidewall—the other side, for inside use where it could not be kept clean, is dark.

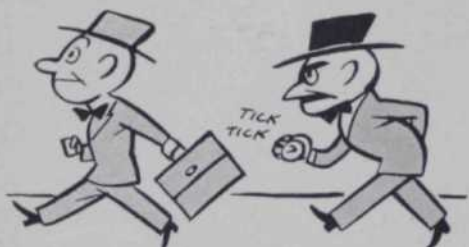
EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.

Marketers' Conning Tower

Seen and Heard in the Marts of Trade

Salesmen Surveillance

THE training of salesmen is coming into a stage of almost scientific objectivity. Those hunches of the old-time sales manager who thought he knew just "what it takes" and could answer all questions out of his own experience are being supplanted by the research method of determining facts. Sales manuals are coming to represent the combined experience of all men on the staff instead of the straight-line arbitrary views of one man.



A good example of this new method is the recent research by Bertrand R. Canfield, in charge of sales training at Babson Institute. With the cooperation of buyers, sensitive microphones were installed in a number of offices to record salesmen's presentations. As was expected, a great deal of irrelevant and pointless talk was recorded. Many salesmen trying to make conversation failed to say anything that added up to more than the usual chatter of casual intercourse. Perfectly normal behavior—that is, for any one but a salesman—since most talk merely serves to kill time and conceal thought. But a salesman is working when he is talking to a buyer, and unless he talks well and to some effect he is not employing the technique of the craft.

Mr. Canfield found that, notwithstanding all the emphasis on sales training, a high proportion of salesmen were not effective in handling objections. Most of them either didn't know the answers and stammered out an agreement with the objectors that spelled defeat or else they made an argument out of their answers.

The Babson study also sought to find out just what salesmen do with their time. To ascertain this, investigators seated in buyers' offices held stop watches on hundreds of salesmen. Some of them had to wait as long as 23 minutes to see their quarry. Observation of 895 Boston salesmen indicated an average wait of 3.3 minutes on Tuesday and only one minute on Saturday. Thursday seemed to be a good day for calling, with an average wait of 1.67 minutes. Monday was the next best day in this respect.

Time spent face-to-face with buyers

averages 7½ minutes an interview, but frequently runs to 30 or 40 minutes. Boston insurance salesmen, it was found, average 25 minutes an interview and make only a little more than three interviews a day.

Wednesday is the leading day for calls, with Tuesday second and Monday third. Actual distribution for the 895 salesmen was: Monday 21 per cent, Tuesday 22 per cent, Wednesday 22 per cent, Thursday 16 per cent, Friday 12 per cent and Saturday seven per cent.

This decided tapering off in the last half of the week is due in part to buyers' convenience but much more to the long week-end tendency and its relaxation of activity, says Mr. Canfield.

Use of time recorders on salesmen's cars disclosed that many of them spend from 40 to 50 per cent of their time in travelling. Late starts, long lunches and early quitting were common. When shown these recorded time losses, salesmen were able in some cases to effect economies in minutes by planning their routes better and keeping at their work more steadily. Mr. Canfield points out that an hour of travel time a day saved by a salesman earning \$4,000 a year means a saving of \$498 a year.

Another device used to help salesmen by analyzing their methods was the informal diary. Salesmen were asked to make notes at the end of each day giving details of their experiences. Good and bad procedures were revealed in these notes, which enabled suggestions to be made for their improvement.

Buyers for several large industrial corporations assisted the Institute by rating 141 salesmen who called on them over a period of 60 days.

To borrow the terminology of modern psychology, this is the behavioristic as opposed to the old introspective method of teaching efficiency in selling.

"Blank Check" Buying Attacked

THE National Retail Dry Goods Association has been seriously concerned by what it calls the "blank check" sales contract. Since the start of the war in Europe some of the men's clothing manufacturers, anticipating sharp rises in the prices of materials, proposed conditional purchasing contracts with retailers containing a protective clause that would permit the manufacturer to revise his prices in line with changes between the time the order is taken and its delivery.

Retailers claim this protective clause is unfair and uneconomic. Said Frank M. Mayfield of St. Louis, chairman of an Emergency Committee of the N.R.D.G.A.:

Every business man knows that the taking of risks always is inseparable from any business enterprise and the situation is no different at this time. The active principle which operates to keep prices under control is the fact that, having committed himself to the performance of a contract at a stipulated price, the business man knows that he must go through with the contract and consequently all effort is directed to the keeping of costs within the contract price.

The *Clothing Trade Journal*, a spokesman for the manufacturers, defends the protective clause. It maintains that, in these times, when Great Britain is taking over all the wool consumption of its dominions for war purposes and when wages are rising steadily in this country, costs are going up at a rate that makes it a gamble to fill orders at previously agreed-upon prices. No manufacturer can predict when demands may be made by the Amalgamated Clothing Workers.

Why Printing Cost Runs High

A RECENT analysis of 1,012 direct mail advertising jobs by 510 national advertisers, made by the Direct Mail Advertising Association, reveals that waste occurs "in large degree" in the use of both paper stock and printing press equipment. The causes are lack of consideration for standard paper sizes in planning a job and lack of knowledge by the planners of press work limitations.

The survey revealed that 72 per cent of all the printed pieces examined had wasted paper stock, 37 per cent of them having wasted ten per cent or more. This was owing both to odd sizes and small quantities ordered. It was found that a printed job which apparently will cut from standard stock will not always do so under actual production conditions in a given printing plant.

The D.M.A.A. points out that manufacturers of press equipment apparently have no standards. In letterpress equipment alone 55 sizes of presses are in use. As a result, only 48 per cent of the test jobs had utilized as much as 80 per cent of the printing area of the presses on which they were printed. One-fifth of the jobs utilized less than half the printing area. Under the printers' method of pricing, a flat hourly rate is charged for the use of the press on which the job is done, therefore waste occurs in running it at less than capacity.



IN THE face of a war rise of 25 per cent in crude rubber prices, Goodyear Rubber Co. has announced a price reduction in every tire and tube it makes. Cuts varied, the highest amounting to 12½ per cent. Similar reductions were made later by Goodrich and Firestone. U. S. Rubber did not change its list prices but is offering larger dealer discounts.

—FRED DEARMOND



CUSTOMERS

*Handle
with care*

CUSTOMERS—those you have and want to keep—those you've lost and want back—those you've never had but hope to get—the success of any business depends upon how they are contacted and cultivated.

Playing a big part in building volume and profits for thousands of concerns are methods readily adaptable in any office—Addressograph Methods. Here is an economical way to organize all the facts concerning your customers and prospects—a simple way to use these facts that goes far beyond mechanical addressing!

Turning customer contacts into profitable sales is an important subject the Addressograph Man will be glad to discuss with you. Call ADDRESSOGRAPH SALES AGENCY (listed in principal city telephone books) or if you prefer, write

ADDRESSOGRAPH-MULTIGRAPH CORPORATION, *Cleveland, Ohio*
ADDRESSOGRAPH-MULTIGRAPH OF CANADA, LIMITED, TORONTO

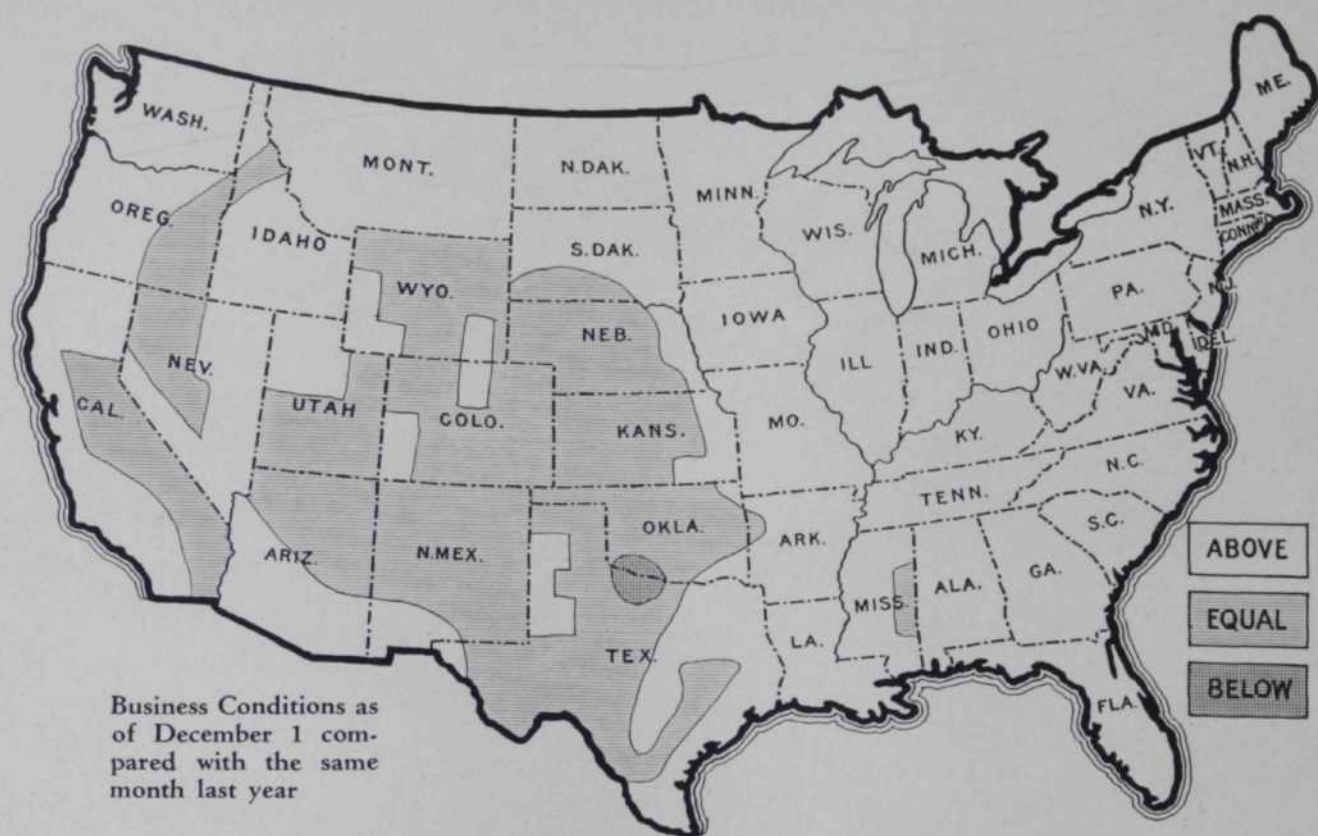
Addressograph
TRADE MARK REG. U.S. PAT. OFF.

**handles the
important jobs with speed
accuracy and economy**

Advertising • Collecting • Customer Lists • Employee Records • Installment Accounts • Inventory • Manufacturing • Membership Orders • Payroll • Prospect Lists • Publication Lists • Sales Promotion • Shipping • Social Security • Social Service • Stockholders • Assessment Records • Motor Vehicle Registration • Public Service Bills • Relief • Tax Collection • Voters Lists

The Map of the Nation's Business

By FRANK GREENE

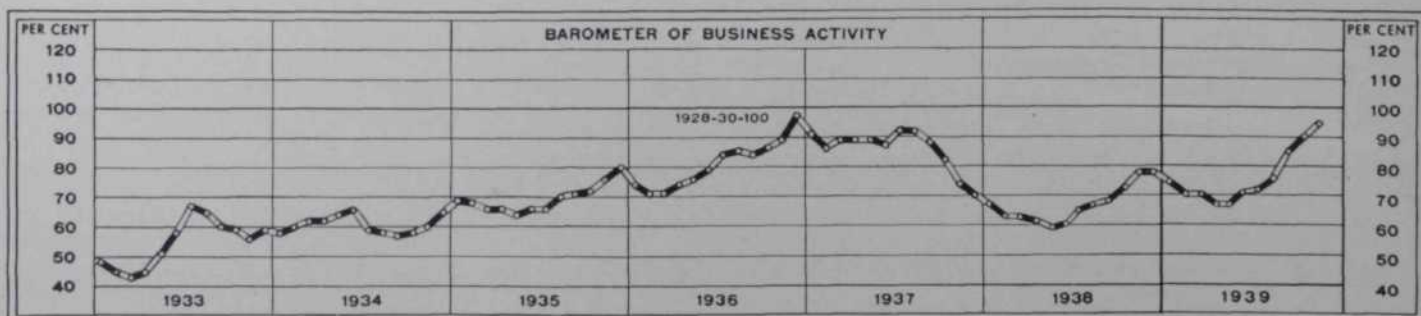


NOVEMBER saw industrial activity sustained with a levelling out of forward orders. Steel prices were reaffirmed for the next quarter, while ingot production at 94 per cent of capacity surpassed previous records. Scrap prices declined sharply. Automobile manufacture lagged behind last year due to the continued Chrysler strike but retail sales were large. Capacity operations continued in the machine tool, textile and aircraft industries.

Holidays caused a slight reduction in electric power output but railroad car loadings widened their margin over 1938 to 20 per cent. Increased private awards offset declines in public construction.

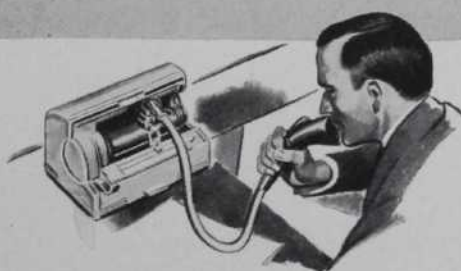
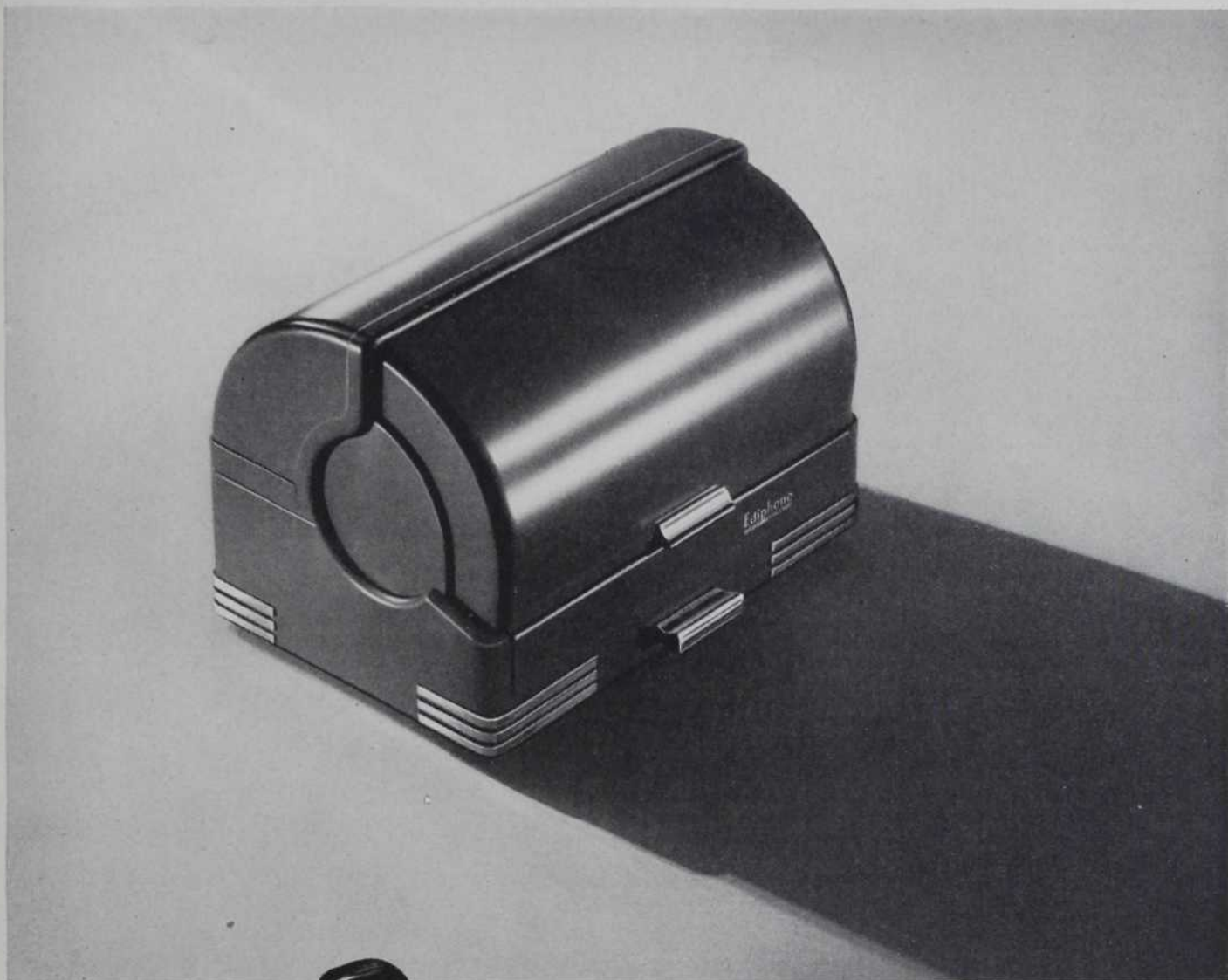
War news drove securities lower with minimum transactions in both stocks and bonds, while the same influence caused sharp advances in grain and cotton prices. Wholesale and retail distribution held well above a year ago, reflecting improved purchasing power. Bank clearings rose four per cent and bank debits nine per cent above November last year.

The brighter December 1 Map reflects increased income from farm marketings in western producing areas.



Industrial production in November continued the sharp rise registered in September and October and marked the sixth consecutive monthly advance since the current upward movement began last June

For the *beauty* of your desk...



Edison presents an 8½" x 11" miracle
to expedite your work

The Laboratories of Thomas A. Edison did a beautiful job in designing this enclosed Ediphone. It actually takes up less space on your desk than a letterhead. It closes completely! Dust is kept out. It's truly beautiful!

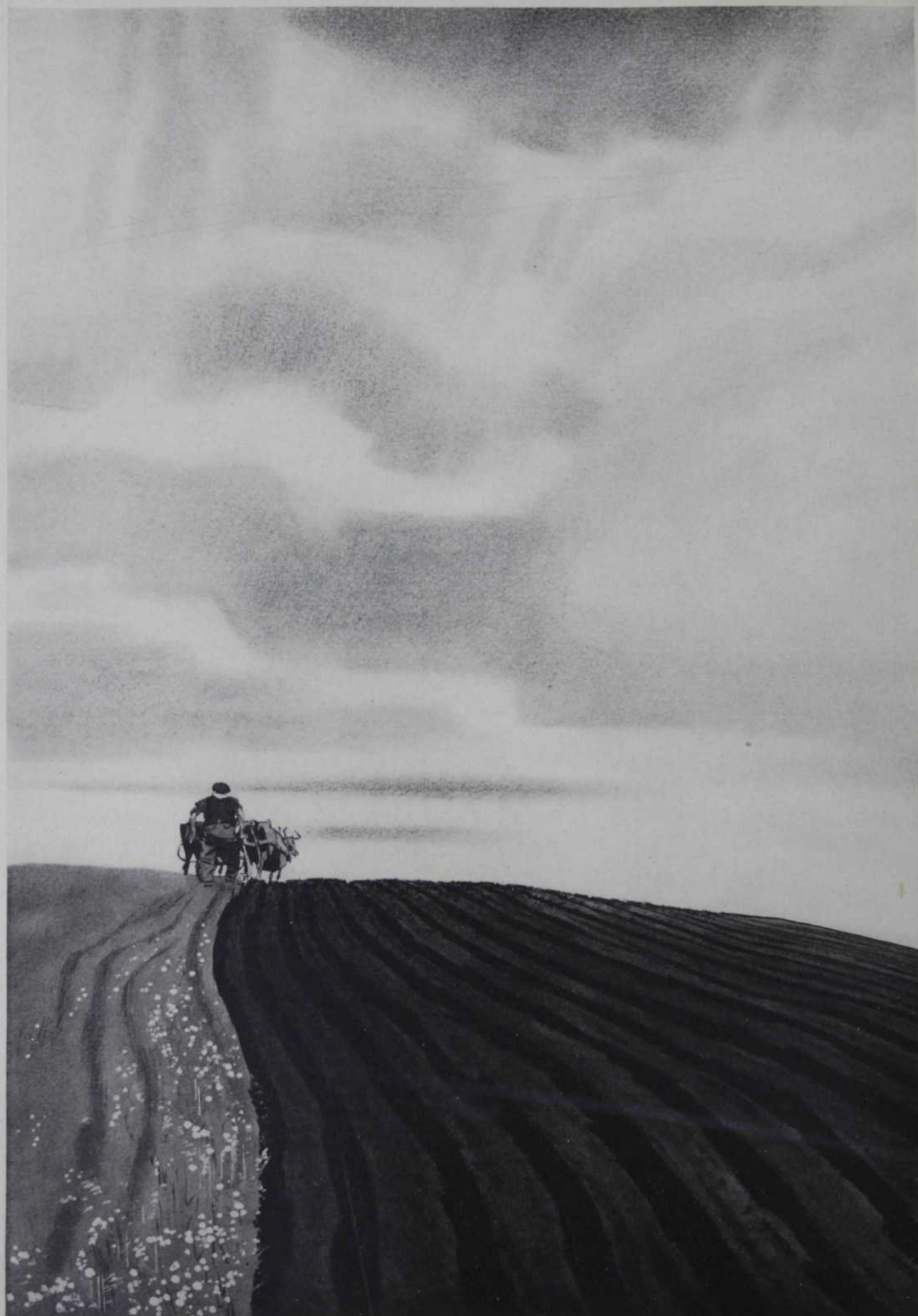
And you'll do a beautiful job using it. This amazing Edison Voicewriter brings efficiency to your work as well

as distinction to your desk. Just lift the receiver and talk your work away. Memos, letters, instructions and reports clear out of your mind! You can forget them...because the Ediphone remembers for you.

Try this handsome Ediphone on *your own* desk. No obligation. Telephone the Ediphone (your city) or write Dept. N-1, Thomas A. Edison, Inc., West Orange, N. J.

SAY IT TO THE

Ediphone
EDISON VOICEWRITER



THE SHELL THAT EXPLODED

11 YEARS LATE

IN A FIELD that once had been part of No Man's Land, a "dud" shell lay embedded just beneath the surface, its errand unfulfilled. For eleven years it lay there, until one spring the sharp steel of a peasant's plough bit into it. And suddenly there was no peasant—only a gaping hole in the earth.

As the toll of war is reckoned, this single casualty would hardly seem significant now—but for one thing.

It happened in peace-time.

We offer this story only as a simple reminder. The casualties of war do not end with peace. They haunt us long after the war itself has been forgotten.

Perhaps that is why so many industrial leaders today regard all war business

with a high sense of responsibility—both to their companies and to the public. They realize that, even though war orders may represent only a fraction of total volume, such orders may some day expose the company's reputation to attack.

This need not happen. In peace or war, the best protection a company can have is the intelligent understanding and support of the public.

It is the job of public-relations advertising to cultivate this understanding, to emphasize industry's contributions to the American way of living. And the companies that invest in such advertising today are not likely to suffer casualties, in the field of public opinion, when peace comes again.

The Curtis Publishing Company

The Saturday Evening Post • Ladies' Home Journal • Country Gentleman



Washington and Your Business

Thunderheads Fill the Skies

"Will be a sounding board."

Presumption is that those who sound off against the board will have their eyes so fixed on 1940's politics that they will have no time to spare for trouble. Mr. Hurja has been a student of politics ever since he, as a young reporter, told the story of Soapy Smith's demise in Alaska in the odor of gunpowder. Nevertheless, other students are setting storm warnings.

Bear Market in Orchids

THESE others say that the only possibility of peace during the 1940 session is that all congressmen shall run out of breath at the identical moment, and stay out. They say there are more controversial matters to go before the 1940 session than there are seeds in a bird's tub. Governmental spending will come in for a terrific kicking around, although about as much spending will be authorized as ever. Acid will be dropped on the national defense program. The acid is already bubbling and ready. It will be urged that this country has made it clear to all concerned that it is not going to war to get any other nation out of a hole, and that other and possibly irritated nations are in no condition to attack us. The effort of the government ownership cultists to tack a \$500,000 utility grid on the defense program's skirt will get nowhere, in the opinion of most observers. The skirt, however, may be torn.

Maybe Taxes Will not Up

THE watchers doubt if taxes will be upped. No one likes to see black cats in an election year. But there will be so much talk about upping taxes that every one will know what must happen soon. The only refuge will be in the grave. Treasurer Morgenthau will produce a formula by means of which the \$45,000,000,000 debt limit can be detoured. Immediately afterward the odor of burned flesh will be detected in Mr. Morgenthau's vicinity. His circumvention will be accepted, however, as it will permit the spending to continue with no immediate towering of the tax rate.

Blame All this on the Prophets

THOSE who say these things make their livings by guessing approximately right. They think the suggested Inter-American Bank will be greeted with uproarious silence. The scheme for an interstate bank of which the members would be the United States and the Latin-American republics would not be funny, they say, even if it had not been proposed by Mexico and even if the only real money involved did not belong to Uncle Sam. The Argentines and Brazil would not take any of it, either, they say.

Play or Pay for Mexico

AGAIN charging all this to those who have little sounding boards of their own it is prophesied that a really formidable body in congress will insist that Mexico pay some attention to the overdue claims of the United States. Legal

APOLOGIES being offered to Emil Hurja, statistician *cum laude* of 1936, there are those who think he is in error. Mr. Hurja says the 1940 congressional session;

action is being devised by which to stop Mexico's sale of oil owned by Americans. This is more to handicap Germany and Russia than to get a little salvage for the American oil men.

The State Department will oppose any such action, as offering injury to the Good Neighbor policy, but Secretary Hull is in for some hard punching over his reciprocal trade plan, and Mexico is his weakest spot. It is at least a plausible guess that our silver-buying policy may be shifted to avoid the embarrassment of buying or refusing to buy Mexican silver.

A Nod to Wm. Bruckart

THERE will be an effort to reorganize the reorganization of 1939 in the hope that a few of the government bureaus may be shoved out of their big chairs. Which recalls this department's determination to steal a good line from William Bruckart.

He had dictated to his secretary:

Government bureaus grow like mushrooms.

After a moment's thought he added;

Some mushrooms are poisonous.

F.C.C. is Under a Green Bay Tree

IT IS worth noting that one spot of holy concord may be found. Under Chairman McNinch a meeting of the Federal Communications Commission consisted of three members leaping on the other three and continuing in a whooping deadlock until quitting time.

Mr. McNinch was always ready with a bucket of oil when the flames rose highest. Decisions were based on decibels. James Lawrence Fly, the new moderator, learned the business of patience when he was general counsel of the T. V. Authority and is putting in practice what he learned. He is reported to have softened up the F. C. C. quite a bit.

It's Dangerous to Slap a General

NO matter how eager may be the yearning of congressmen for the comparative peace of their homes, it is certain there will be heavy firing along the Mississippi. Commerce Secretary Hopkins transferred the Inland Waterways Corporation out of the hands of Maj. Gen. T. Q. Ashburn, who had been running the corporation as a private enterprise would be run—which is to say with a marked degree of efficiency—and reduced it to the status of a bureau in the Commerce Department. Those who think the general will offer the other cheek simply do not know generals. Railroads, reformers, and practical politicians will generate noise and heat.

Wage-Hour Law in for Trimming

CONGRATULATIONS should be extended to Elmer Andrews, who was hoisted out of the wage-hour administration with as little regard to the skin on his person as was shown to Ashburn of the Waterways. Congress will confront wage-hour facts with wage-hour theories in what should be one of the most violent melees of the session. Andrews will not be in it. Perhaps, after all, Emil Hurja

What are three **IMPORTANT** points to consider when **YOU** buy **LIFE INSURANCE?**

In the past men usually thought of their life insurance in a rather general way. But today, more and more, they are planning on the basis of their *specific needs* and then selecting a *suitable policy* issued by a *strong company*. For example . . .

THE NEED



Exactly what are your own particular life insurance needs? Just how would your life insurance money be used? How much cash would be needed in a lump sum, in event of your death, for outstanding debts, doctors' and hospital bills and the other 'final expenses'? . . . How much monthly income would your wife need as a *minimum*, and how long should it last at the very

least? Will there be funds to educate your children? . . . And for you, for your retirement, how much money will you require as a life income? At what age should you be prepared to retire?

When you analyze your *specific needs* in this way you are drawing the plans, so to speak, for the 'house of protection' you want to build for your family and for yourself.

THE POLICY



If you were buying an automobile you would choose the type of car which best served your purposes. It might be a one-ton truck or a convertible coupe. Both might be equally good bargains, but you would buy the one which better served your purposes. Similarly, the best life insurance policy for you is the one which best suits your specific needs.

Different types of policies are issued by the New York Life to meet the needs of

different persons. Some policies, for example, provide more insurance protection for each dollar of premium than others which may provide larger retirement values.

One of the most important services that can be rendered by a New York Life agent is to help you select a suitable policy. You may obtain this service if you will discuss your life insurance situation frankly and fully with a well-informed New York Life representative.

THE COMPANY



No one can foresee at what time and under what economic conditions a life insurance policy will become payable. It may be soon . . . or it may be many, many years in the future. At all times, therefore, a life insurance company must be kept so safe that it can pay all its claims, no matter when they fall due.

Founded on April 12, 1845, the New York Life has a long record of fidelity in

meeting its obligations to policy holders. It maintains its policy reserves on the most conservative basis used by American life insurance companies. The New York Life has always been a mutual company and therefore has no stockholders. Dividends are paid to policyholders only.

These are among the reasons why a New York Life policy is one of the best investments you can make.

If this modern way of buying life insurance appeals to you, we suggest that you get in touch with a New York Life representative serving your community, or write to the Company's Home Office, 51 Madison Avenue, New York City. It would be helpful if you would send your name, address, date of birth, and any other information which you think might be of assistance in making a preliminary analysis of your particular life insurance requirements.

NEW YORK LIFE

INSURANCE COMPANY



A Mutual Company Founded on April 12, 1845

THOMAS A. BUCKNER, *Chairman of the Board* 51 Madison Ave., New York, N.Y. ALFRED L. AIKEN, *Pres.*

Safety is always the first consideration . . . Nothing else is so important

was being cryptic when he said Congress would provide a sounding board. Maybe he meant it would be clamorous.

Anyhow, It's the F. C. C.'s Story

THIS department has always been a sucker for the Good, the Beautiful and the True. When, therefore, it is informed that the F. C. C. no longer pays more than a forbearing attention to senators and congressmen who bay for patronage under its windows, this department believes. It is also willing to believe the report that Congress will not hold the long threatened inquiry into the F. C. C.'s habits and practices, even if the one item does seem to cancel the other out. It is true that Congress may have noisier and funnier inquiries to play with.

Pop Goes Navy in Steam Chest

NAVY is likely to provide one of these congressional inquiries. Some congressmen who try to keep abreast of naval matters do not like what they have heard of topheavy ships of war, and of destroyers which bend in the middle like glamour girls and of cruisers that almost vibrated their tails off when under full headway. Report is that officers in the Navy who think they have not been given fair play by the oligarchy of admirals can supply interesting facts if they are called on.

Moths in the Soc. Sec. Coat

THERE are 105 small, easy, inconsequential, purely technical changes which the Social Security Board will suggest be made in the law to make it conform to the "obvious intent of Congress." The Board thinks it can damp down any attempt to make any considerable change. It must be recalled, however, that Paul V. McNutt is now the supreme commander of Soc. Sec., that he has not wholly endeared himself to all its personnel and that Mr. McNutt is one of the liveliest candidates for the 1940 Democratic nomination. If the box is opened, no one can tell what might fly out.

No Guarantee With This Bit

THIS paragraph may be totally valueless when it appears in print. But some men who make a business of politics say that Mr. Roosevelt will not declare himself on a third term until some time in May. By that time, presumably, Congress will be off his hands and he can afford to relinquish his third term club over that body. He will then vigorously denounce those who have been saying that he might be a third time candidate, and so acquire great merit.

Attention of 560 Chambers

THOSE who can turn their eyes away from Europe's page of woes should read the booklet which Frank R. Wilson of the Census Bureau has just turned out. If he had his rights this would be a best seller. Five hundred and sixty Chambers of Commerce helped the Bureau net the facts. It begins with the days when Grandma knitted America's stockings and carries through to this pampered period when approximately 50,000,000 males over the age of ten buy annually two suits of underwear. It reviews the past, interviews the present and previews the future.

Look Into the Crystal Ball

IT shows that some of our eastern states are as thickly populated as Holland and Belgium. A smart storekeeper who does most of his own work can make a living on a \$12,000 capital. If the birth rate does not begin to attend to

business we will soon be a nation of more old folks and fewer young ones. Footwarmers will sell better than brassières. Eight of today's "common killers"—cancer, cerebral hemorrhage, heart disease, diabetes mellitus, appendicitis, suicide and homicide, automobiles—are increasing their deadliness. People are moving out of town to do part-time farming. Business must shift around and find new markets.

Offers Shivers at Midnight

IF you lie awake with worries avoid certain pages. In 30 years we will reach our population peak of 145,000,000. Then there will be twice as many people 65 years old and older as there are now. But it is the younger folks who pay taxes. "The state tax collections of 1939 were 18.5 per cent greater than in 1937. More than 180,000 political units have power to levy taxes and incur debt. The rate of increase in the tax base has not kept pace with the rate of public expenditure." A nod is as good as a kick to a blind horse. The federal debt is treated elsewhere. One soothing note is sounded:

Three-fifths of the proposals for local bond issues in 1938 were defeated.

Disadvantage of an Education

THE public ownership cultists' new plan to set up a \$500,000,000 great grid system seems to be travelling on a corduroy road. The evidence seems to be that there is no present power shortage. It would be easy and relatively inexpensive to put in "top turbines" and greatly increase the present power production if this were desirable. Regional grids are being installed by the industry as required. New developments in steam engineering have made hydroelectric production too costly.

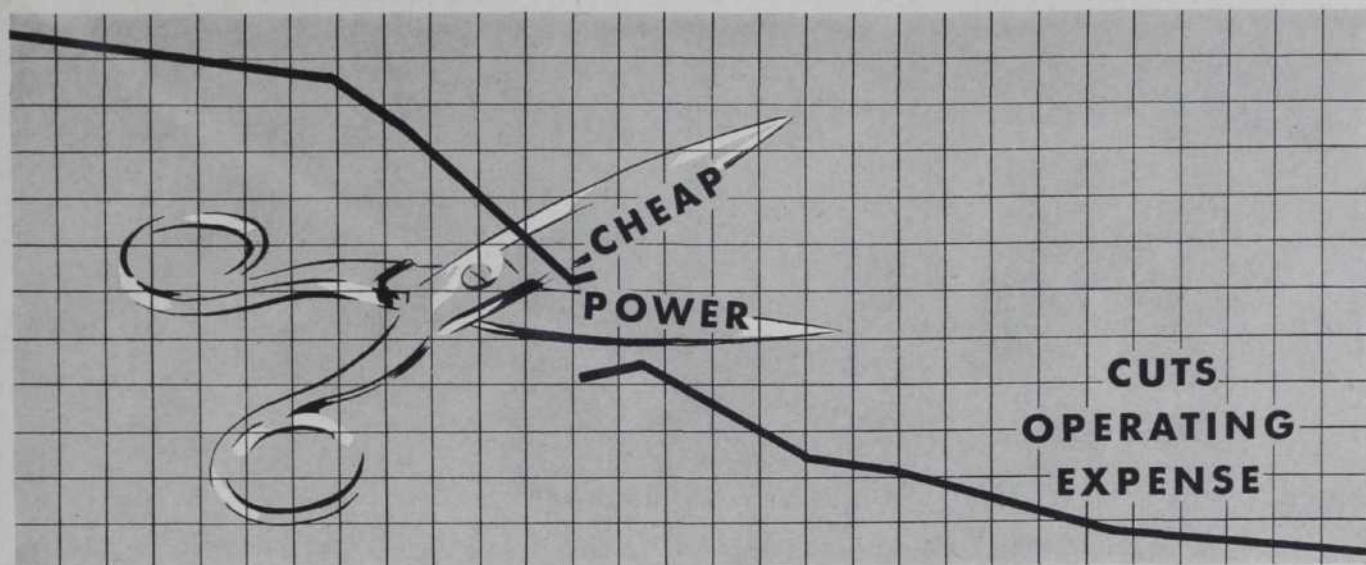
The soft coal producers have a great many votes in the soft coal states and will fight the injury to the industry through the use of extravagantly costly water power. Last and foremost, Congress is in no mind to write any more blank checks.

Some Fuzz Off Labor's Peach

THE continuing fight between the C. I. O. and the A. F. of L. will reach Congress in some form. A number of the weightier members of that body are persuaded that the intra-labor disputes have slowed recovery and, if they can find out what to do and how to do it, are willing to try. Also they doubt if labor's political strength is as potent as has been represented. Support is given this theory by the fact that newspapers and magazines are using more articles in which the emphasis is placed, not on labor's wrongs, but on the mistakes of labor's leaders. Some attention may be paid, also, to the rumors that Philip Murray may succeed John L. Lewis in the high seat of the C. I. O. This is not to be dismissed lightly. Lewis's use of C. I. O. funds for political purposes is his weak spot.

Straw Shows Wind Blows

ONE incident of the immediate past has not been given the attention its dramatic importance deserves. At the meeting of the Construction Industry Conference, held under the auspices of the U. S. Chamber of Commerce, John Coyne, president of the Building and Construction Trades department of the A. F. of L., made it clear that the A. F. of L. unions accept responsibility for the elimination of jurisdictional disputes. If a quarrel arises between crafts as to which shall do a certain piece of work, the union in possession shall continue to do the work until the proper union authorities reach a decision. There will be no halt of the work on the main job. This new plan was set up



...and there's **UNLIMITED POWER** at **LOW COST** available in **Chesapeake and Ohio Territory**

THESE ADVANTAGES

are but the fundamentals of many favorable conditions making Chesapeake and Ohio Territory an economic field of operation for many industries.

- **RAW MATERIALS** of many kinds; abundant, near at hand, economically secured.
- **INTELLIGENT LABOR**—native-born; largely skilled in a diversity of industries; well housed; peaceful and cooperative.
- **NEAR TO MARKETS**—major consuming areas within first, second or third morning delivery.
- **EXCELLENT TRANSPORTATION**—favorable freight rates and dependable service keep markets and manufacturers in economically close touch.
- **CHEAP POWER**—abundant coal, oil, natural gas and hydro-electric developments assure this region of unlimited power at most economical costs.
- **COOPERATIVE LEGISLATION**—Industry is king in Chesapeake and Ohio Territory, and the legislatures of the five great States in which it lies are friendly toward the needs and aims of enterprises they invite and those they already have.

In Chesapeake and Ohio Territory, power puts a minimum strain on industrial production budgets. Running through Virginia, West Virginia, Kentucky, Ohio and Indiana, Chesapeake and Ohio Lines serve a region uniquely rich in fuels, remarkably equipped to convert these resources into cheap power.

In the central portion of this territory lie the country's greatest deposits of all-purpose bituminous coal and enormous reserves of petroleum and natural gas. All are economically available to industries, for steam, furnace, and general manufacturing purposes.

Thanks to low-cost fuels and the many important rivers in this region, steam-electric and hydro-electric power are supplied in unlimited quantities at exceptionally low rates.

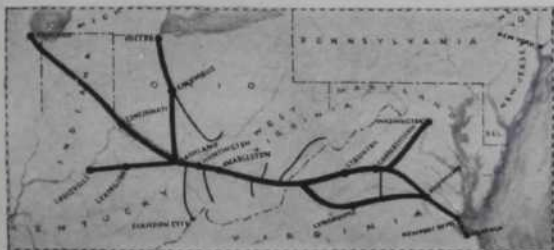
Power is a major economy factor in this territory—and so is the abundance of raw materials and of native-born, contented labor...excellent transportation facilities...availability of industrial sites...cooperative legislation...and the fact that 70% of your national market is within first to third morning delivery range.

What do you seek in a more advantageous location? Complete and impartial factual surveys for your specific industry will be furnished on request. All inquiries will be held in strictest confidence. Write

GEORGE D. MOFFETT, *Industrial Commissioner*

CHESAPEAKE AND OHIO LINES

Huntington, West Virginia



CHESAPEAKE *and Ohio* LINES

"We'll have to shut down



Hartford Fire Insurance Hartford Accident and

Practically every form of insurance

... but our income will *GO RIGHT ON!*

... because we bought insurance the **NEW** way"



"Of course we always have carried plenty of insurance on our buildings and contents, but it took a smart insurance man to show me that I could lose more as a result of a shut-down than the plant itself was worth.

"He pointed out that I also needed insurance to cover fixed charges, wages and salaries of key men, advertising and other expenses that would continue during the shut-down from fire, windstorm, explosion, riot, aircraft and several other kinds of destruction.

"Then he told me about Business Interruption Insurance, putting clear-cut information of the NEW way to buy insurance into a complete survey that he made especially for us. We bought the protection and now, after the fire, our usual dividends can be paid, our organization held together, ready

when we reopen. We are sitting pretty."

It will pay you to buy Insurance the NEW way

The NEW way of buying insurance is based on the idea that it hurts just as much to lose a dollar one way as another and that *what hurts most are the big losses*. Hartford agents sell insurance, not just policies. They know how to fit insurance to your particular requirements—whatever they may be.

Just call Western Union

— in Canada, call Canadian National Telegraphs—and ask for the name of the nearest Hartford representative. Or call your own insurance broker for full details on Business Interruption Insurance and the NEW way of buying insurance protection for yourself.



Company Indemnity Company

except life... Hartford, Connecticut

in three months' time and is one of the striking evidences of the new spirit of cooperation with employers that labor is showing. Nine labor leaders of national importance were at the speakers' table when Mr. Coyne told his story and each approved.

Not the Fault of Technology

A PUBLIC fed with complaints that the cost of building is rising, will be surprised by the statement of I. N. Tate, a leading building contractor of St. Paul;

In the case of one carefully estimated house, the cost in the "normal" year of 1926 was \$7,725, but the average since then has been but \$6,693.

Census Talks Good Sense

A COLLATERAL comment may be found in Frank Wilson's preview of the 1940 census:

It may well be argued that if the advances in technology had not taken place, resulting in increased production and lower costs to the consumer, the very large expansion of employment in the service industries might not have taken place.

This Bears on Same Subject

TO this might be added the statement of W. B. Shafer, chairman of the Prosperity Movement of Norfolk, Va.:

The City Council voted against building 5,000 homes under the federal slum clearance act because Norfolk is against socialistic schemes. . . . The Norfolk Council expects private investors to build 5,000 homes to take care of the influx of new government workers. . . . Every city council should lean to private ownership in the old American way, as one socialistic scheme leads to another. Norfolk is building on solid financial ground.

Fewer Spoons in Gravy Bowl

THE CIVIL Aeronautics Authority may be in for a spot of congressional trouble. No great grief, probably, because Congress is fairly well satisfied with the C. A. A.'s performance.

But, if this country is to have a wide aviation net, it must have more airports, which must be well built. The cities will not build them, because the cities are getting short of money after the splurge of a few years ago. (See Census report on what happened to proposed bond issues.) Private investors will not because airports do not pay. Many congressmen will urge that federal money be used, one reason being that the folks at home would be pleased. Many others will ask why one transportation industry should be singled out for subsidy, when the competing and indispensable railroads are reporting bare cupboards.

Ask More Light in the Budget

idea of what it is all about. This can be done if a little intelligence is expended in the writing, they say. The fact is, of course, that an understandable budget would handicap the bureaucratic money beggars. Yet it is possible that an improvement may be made.

"How Doth the Little Busy Bee"

BYRD and Glass of Virginia, Taft of Ohio and several important members of the House may ask that the budget be rewritten in such a manner that its students may get an

idea of what it is all about. This can be done if a little intelligence is expended in the writing, they say. The fact is, of course, that an understandable budget would handicap the bureaucratic money beggars. Yet it is possible that an improvement may be made.

THE worry boys in the Administration are working out a new plan to get the management of American business placed in governmental hands. It is no secret that they

think they know more about business than the men who run it. This new idea is for the T.N.E.C. to set up a "Committee for the Consumers," the duty of which will be to carry on a continuous inquiry into costs, prices and profits in every industrial line. If and when the com-

mittee should be displeased with prices or trends it could call in the industries affected and give them an "or else" option. The T.N.E.C.'s congressional members do not like it much, but they are subject to pressure. No evidence as yet that the President is warm in support. He has, however, assented to a "continued surveillance" on price movements. This is in essence Thurman Arnold's scheme to indict and then compromise without going to trial. It costs too much to fight the Government. A good way to make business say uncle.

New States' Rights Plans

A PAIR of obstreperous twins promises to engage some of the attention of Congress. One twin is the manner in which the federal Government has raided the sources of

tax income formerly possessed by the states. In the case of Delaware alone the Federal Finance committee of the Chamber of Commerce estimates that Delaware's income tax revenue has been cut by about 50 per cent. This twin would receive the hearty support of most congressmen except for the undeniable fact that, if the federal income is shortened, it will not be so free with its largess to the states. The other twin is the manner in which tax barriers are being set up along state lines. The states urge that they need the money and, if the federal Government is not restrained in its predatory activities, they cannot spare whatever they may take in through their state line tariffs. It is a further fact that, although a farmer may be restrained under the interstate commerce act from selling his hen's egg on the other side of the state line, it is not so easy to restrain a state. Headaches ahead.

A Sad Note At Farewell

THIS should really wind up with an excerpt from one of Mr. Ickes' inspirational messages, to the effect that this is the greatest country in the world and, if everything goes

well, we will all be happy. But the National Industrial Conference Board has soured the note. This authoritative body reports that in 1938 our various forms of government were collecting \$107.51 from each of us in taxes, which was only 29 cents a year less than the United Kingdom and only a couple of dollars a year less than the German citizens pay in marks. Then the N.I.C.B. winds up with an even sadder conclusion:

As tax burdens increase, the reserves of tax paying power decline.

Back to Frank Wilson of Census for a trifle of cheer. Back home, where people live, bond issues are being turned down. There may be an answer in that.

Burrs under the Big Saddle

DR. W. M. LEISERSON'S testimony before a congressional committee has made it certain that the National Labor Relations Board will catch a terrible lathering this winter. "He

did not want to do it" as the song has it, "but he did—he did—he did." And large numbers of letter writers will ask their congressmen to fix things so the taxpayers in the prairie states will not be assessed for that part of Tennessee's taxes that T.V.A. took away.

That's the kind of an inquiry that has spreading possibilities. This department feels the utilities should muffle down their outcries for a season, and recognize that for the first time in seven long years there is a chance that their side of the story may be given a fair and well publicized hearing. All is well that ends well.

Herbert Coyne



A NATION UNITED BY TELEPHONE

JUST twenty-five years ago, on January 25, 1915, the first transcontinental telephone call was made. East and West were united in dramatic ceremony.

President Wilson talked from the White House across the country, testifying to the nation's pride "that this vital cord should have been stretched across America as a sample of our energy and enterprise."

The inventor of the telephone, Alexander Graham Bell, in New

York, repeated across the continent to San Francisco the first words ever heard over a telephone—"Mr. Watson, come here, I want you"—to the same Thomas A. Watson who had heard them in the garret workshop in Boston in 1876.

That ceremony ushered in transcontinental service twenty-five years ago. At that time it cost \$20.70 to call San Francisco from New York. Now it costs \$6.50 for a station-to-station call and only \$4.25 after

seven in the evening and all day Sunday.

In 1915 it took about half an hour, on the average, to make a connection. Now most calls are put through without hanging up.

These are measures of progress in the never-ending effort of the Bell System to give faster, clearer, more useful and courteous service to the people of the United States.

BELL TELEPHONE SYSTEM



Construction Industry's Inventory

(Continued from page 22)

In short, the future demand for private non-residential building, as well as for private residential building, is going to be measured by the rate of economic expansion and improvement in national income that the American people may hereafter enjoy. Even public building will have to depend more upon local prosperity and municipal solvency than upon federal solvency because pump-priming and emergency employment projects seem to be going out of fashion.

Among the encouraging aspects of the 1940 situation brought out at the Construction Conference was the effort of the Building and Construction Trades Unions to convince employers that they hoped to end the troublesome jurisdictional disputes problem. Regardless of whatever reasons the A. F. of L. building trades may have for convincing management that they intend to eliminate fighting over who shall do what, it is obvious that their desire to cooperate is genuine and will almost certainly result in speeding up building projects.

An epochal chapter in labor-employer relations history was initiated when President Coyne of the Building and Construction Trades Department of the A. F. of L. and other top officials of the various departments sat down at luncheon with President Carey of the United States Chamber of Commerce and leaders in all phases of the building industries. It not only marked a departure from the popgun tactics formerly and frequently employed by both sides but also indicated recognition of the neces-

sity for holding down building costs and of the need for a partnership to combat further government intervention in the construction industry.

Labor disputes may decrease

SOME doubters may persist in believing that the plan to settle jurisdictional disputes arranged between the Associated General Contractors and the Building Trades Unions last fall and this recent meeting between labor and management will fail to bring any practical results. All such should take careful note of the fact that the union leaders were willing to make a public appearance with employers and thus indicate to the rank and file that they mean business in the matter of settling jurisdictional disputes. Furthermore, it should be noted that the unions unanimously selected William Carroll, Manager of the Building Trades Employers' Association (an employers' representative) as the ultimate judge or referee who would make the final decision on which union should be entitled to do the job whenever the question of jurisdiction arises.

With prospects for cooperation between labor and employers looking bright, builders hope that heavy or non-residential construction will increase sufficiently to provide jobs for each of the 1,000,000 members of the building trades unions and all other craftsmen of the industry. Replacement of obsolete buildings and normal expansion comparable to that existing in the 1920's which averaged almost \$2,000,000,000 a year

(37 eastern states) would take care of unemployment in this field, but unfortunately the decade just closing has averaged only \$900,000,000 a year and, in the past four years, 43 per cent has been for public non-residential building.

According to F. W. Dodge estimates, the public works program of recent years has relieved any shortage that may have existed of schools, post offices and public administration buildings. The only important class in this group which is expected to increase is hospitals. Army and navy construction programs will be of considerable size, but more than half of them will be done in territorial areas outside of continental United States and more than a quarter of what is left will be on the West Coast.

If there is a new P.W.A. program, it will probably consist of hospitals, municipal airports, highways considered important for military use, and electric power plants. Educational building projects will decrease about a third from 1939.

It is also necessary to take account of 1940 as an election year. Despite possible war orders and this country's defense program, campaign controversies that include business baiting and threats of reform legislation are not likely to encourage investors to make long-term commitments. A temporary business slump in the early months or a sudden end to the European war are also possible deterrents to any sizeable construction program.

However, when checking up on prospects for private non-residential construction in 1940, the favorable factors look more than enough to offset the unfavorable.

Industrial production, retail sales, employment, dividend payments and national income are all on the upgrade. With such business indicators all rising, it is only natural to believe that executives will look more favorably toward improvement of production facilities. Modernization and construction are almost certain to follow in at least modest proportions.

Any increased private building that follows the general improvement in 1940 will tend toward concentration in the busiest industrial centers which are likely to be more fully employed and more prosperous than agricultural centers. Many of these same localities will also face an acute housing shortage as soon as the number of pay envelopes begins to increase.

The need for new buildings is particularly conspicuous in such classifications as large office structures, commercial warehouses, motion picture theaters and similar projects, which were so numerous in the 1920's. As yet there is no great demand for them, but steadily increasing business activity could quickly start a scramble for additional space.

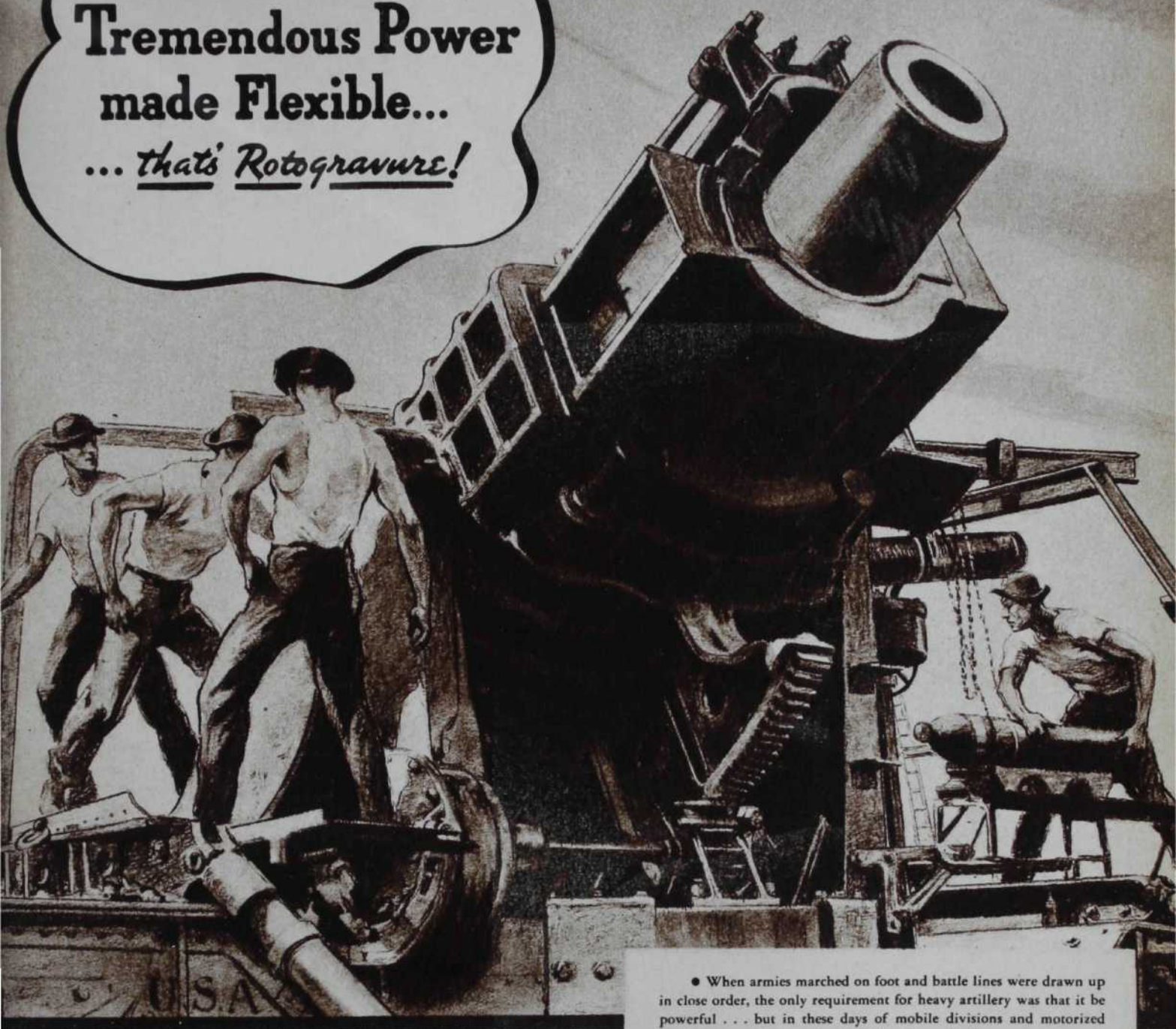
Modernization is another important field. Store modernization alone has amounted to ten per cent of all private non-residential building and has appre-



MINERAL WOOL ASSOCIATION

Building materials industries have produced many new products such as insulation material to stimulate construction

**Tremendous Power
made Flexible...**
... that's Rotogravure!



• When armies marched on foot and battle lines were drawn up in close order, the only requirement for heavy artillery was that it be powerful . . . but in these days of mobile divisions and motorized attack power isn't enough—flexibility is equally important.



IN ADVERTISING, as in ordnance, modern conditions put a premium on flexibility. Recognizing this, national advertisers are today using 50% more rotogravure space than they did a year ago. For no advertising medium offers greater control over advertising pressure and expenditures than does rotogravure. With no other medium can you tailor your campaign to fit your sales problem more accurately and buy inten-

sive coverage of the nation as a whole or of separate markets more economically.

On the next page some of the rewards which fall to food advertisers who avail themselves of rotogravure's flexibility are reported. For experiences advertisers in your own field have had with rotogravure, write Kimberly-Clark. In addition to manufacturing Rotoplate, Kleeffect, and Hyfect—three of the most widely accepted rotogravure papers—Kimberly-Clark maintains a research department and a statistical bureau to serve publishers and advertisers. The Kimberly-Clark Corporation, 8 South Michigan Ave., Chicago Illinois.

*More for
our money
in
Rotogravure*

Say

Food Advertisers



SPAM

"In selecting key cities for testing Spam advertising we purposely chose one where rotogravure was available in a dominant publication. We were anxious to find out how effective rotogravure with its high attention value and readership would be in the accomplishment of our objective. The results were most satisfactory and our record speaks well for rotogravure as an advertising medium."



BOSCUL COFFEE

"We embarked on a campaign of rotogravure advertising for Boscul Coffee and continued it on a consistent basis during the past 6 months. During the period we have had a definite sale increase."



CANADA DRY

"Rotogravure was a major medium in our Spring and Summer advertising campaign for Sparkling Canada Dry Water. We used half pages and full pages in rotogravure in the principal markets of the country, and to rotogravure must go part of the credit for the sales increase which pushed Canada Dry Water to the highest sales peak since this club soda was introduced."



GROCERY STORE PRODUCTS SALES CO., INC.

"Rotogravure was used exclusively for Jacobs Mushroom advertising. Sales for the quarter during which advertisements appeared showed a definite increase in cities where the rotogravure campaign ran."

Kimberly-Clark Corporation

Established 1872 • Neenah, Wisconsin • 67 Years of Service

NEW YORK
122 East 42nd Street

LOS ANGELES
510 West Sixth Street

CHICAGO
8 South Michigan Avenue

ciably exceeded the money spent for building new stores.

The Statistical Division of F. W. Dodge Corporation estimates that commercial and manufacturing building will increase from \$420,000,000 in 1939 to \$530,000,000 in 1940. This is still short of the \$611,000,000 in 1937, but could easily be increased by a relatively small number of contracts for large manufacturing buildings. In addition there are always some new private schools, churches, theaters, and the like.

The net result of an estimated increase in private non-residential building and a decrease in public building of the same type is a gain of about three per cent over 1939, but war stimulus, an augmented defense program or a more ambitious P.W.A. program could increase the percentage.

This estimate does not take into account a potential private residential program or several governmental projects. One of the latter is the federal-aid highway program and another is the public housing of the United States Housing Authority. Although the last Congress refused to increase authorizations for public housing, only about 36 per cent of the original program reached the construction contract stage by the end of 1939.

Private building may increase

AFTER weighing all factors, the Dodge statistical staff appraised the total 1940 increase in private building and engineering expenditures at ten to 15 per cent higher than in 1939. In addition to the classifications already named, the increased activity would include one and two-family houses and privately owned utilities. Apartment house building will no doubt continue its present decline because of the prevailing wage amendment which the last Congress tacked on to the National Housing Act. However, any such decline will be more than offset by multiple dwellings built under the U.S.H.A. public housing program.

When taking an inventory of their prospects for 1940, construction and supply men like to point out the modernization of their own industry as an example of "practicing what you preach." They have been neither deaf nor blind to accusations of "horse and buggyitis" but are somewhat bitter toward critics who make inappropriate comparisons with newer and flashier industries that have suffered in less degree all through the depression.

When a large part of the population chooses to spend its money for automobiles, radios, recreation and other diversions in preference to new homes; when management prefers to put its cash into a strong box rather than plow it back into the business; when investors select government bonds instead of industrials, there is reason to believe that more fundamental causes than the industry's backwardness have something to do with the lack of major activity in the private construction field.

If anyone doubts the lack of modernization in non-residential building, he need only stop at almost any new construction site in his city and compare the

building operations with those in general practice 30 years ago. It isn't necessary to list them here because almost any member of the sidewalk superintendent's club knows all about them. New materials for building purposes are put on the market by scores. Lighting, plumbing, heating, cooling, elevator improvements have certainly kept pace with most any other industry. Yes, folks in the building industries have plenty of answers for critics who blame the industry itself for the decline in the rate of non-residential building.

Most venomous of all attacks on the building industry and every one connected with it from banker to mortar-mixer have been leveled at the residential branch of the business. Of course, jerry builders and sharpers have been and are engaged in housing enterprises. But they are despised by their associates just as much as shysters and quacks are condemned in any other profession or business. Undue stress on the occasional failure is harmful. Prosecution of dishonest practices in individual cities is necessary. Those cases should be ferreted out and cured. There are ample laws to accomplish that. But it is no service to the American public if the cases are exploited to the point that the public is scared away from home-ownership.

The material manufacturers have been scorchingly assailed for holding up prices as another horrible example of what's wrong with housing, but the fact is that all building materials cost 90.3 per cent in 1938 compared to 100 per cent in 1926. Cement is 4.5 less, brick is nine per cent less, lumber ten per cent, paint nine per cent, plumbing 21 per cent.

In the further interest of keeping up with the times in residential housing, competent authorities predict that standardization may soon be practiced on a large enough scale to save 50 per cent of the cost of a home. Right or wrong, that estimate will bear investigation. There is no more reason why people should not live in a completely standardized house than there is that they should not ride in a completely standardized car, except that they have not been trained to the idea. And a completely standardized interior may yield itself with little added cost to a variety of treatments of the exterior, in materials, colors and roof arrangements to avoid monotony. The basic floor plan for the small house is more thoroughly standardized today than generally realized. Complete standardization is for the future, but it is perhaps the most promising single objective when housing problems are considered from the cost angle.

Complete prefabrication is also for the future. There are successful prefabricated houses today and there will be more in the future, but many of the savings predicted for prefabrication are being realized in the prefabrication of parts. Many of the ideals of prefabrication are now perfected in the cutting of floor joists, studding and rafters to exact lengths; frames prefabricated with the doors and sash hung, with the glass installed, so that the entire unit is merely put in place; the installation of sheathing and insulation in large units;

the placing of heating and plumbing appliances with a minimum of waste. It is possible that prefabrication of an increasing number of parts may make prefabrication of the entire house unnecessary.

Another modern aid to home owning that the industry has quickly put into force is the more general application of amortized loans. The old way involved a first and second mortgage loan, both renewed at frequent intervals and added costs; a high interest rate and no way to reduce the principal or clean up the debt at any particular time. The new amortized loan insures proper selection of site, expert inspection of materials, a low interest rate, and a monthly payment usually less than the family has been paying for rent. It discharges the debt and produces a clear title to the property at the end of a definite number of years.

Home building despite handicaps

IT IS significant that the volume of home building continues to increase in a period when war hysteria is in the air, with rumors of revolutionary methods of assembling and construction that will make present homes obsolete; with the Department of Justice and irresponsible columnists stating repeatedly that costs must come down; with grand juries being assembled to investigate alleged illegal practices. Through all this unrest and oratory the American people continue to build at an increasing rate with last September showing the greatest total for 11 years and the first nine months of 1939 showing a 52 per cent increase.

The reasons for this steadily increasing activity are a shortage of housing, a probable rise in wage rates, surplus funds waiting for investment, a hedge against the trend toward inflation and the incentive toward systematic saving by meeting a monthly payment.

The Construction Conference (third in as many years) brought out the necessity and advantages of cooperation between all branches of the construction and building industries. Cooperation between builders, architects, supply men, real estate operators, bankers and lending agencies, together with organized labor has been a most necessary instrument to promote increased activity in an industry that is plagued more than any other by a conflict of interests. Results of the first meeting three years ago are evident today in the large number of revised building codes that were stressed as one of the first essentials at that time. The cooperation with organized labor was begun at the meeting two years ago through a series of private conferences. Stimulation and optimism for an industry that felt it was in the doghouse has been afforded by the bringing together of leaders in all branches who were concerned for the fate of their own business. And, most practical of all has been the background provided for planning production and marketing their services to men who are in positions to make their decisions sway the backward or forward progress of their industry.

Labor Saving Machines Make More Jobs

(Continued from page 21)

those jobs because of the introduction of labor saving machines. Without those machines we could not have achieved the mass production and the resultant lowered costs that made such mass consumption possible.

The part the machine has played in creating rather than destroying jobs appears paradoxical on the surface, and I can easily understand the reasoning of those who say:

Here's a machine that enables one man to produce, in a day, as much as 100 men, working by hand, could produce in the same period. Therefore 99 men must lose their jobs.

Machines make work too

THIS appears to be a logical deduction. But it doesn't work out that way. Those who reason this way fail to follow

through to examine the machine's ultimate effect.

Take the example of the Senator and the ice cubes.

We had been arguing "technological unemployment" for hours. He mentioned dial telephones. I proved that they had increased employment. He mentioned musicians, and I proved that the "talkies" had brought about increased employment in their ranks.

Fortunately I had figures to disprove a half a dozen other cases concerning unemployment that he cited.

"Judge," he said, "I don't know *where* this displacement of men by machines occurs, but I know that it must occur, somewhere."

He picked up his glass—and an inspiration with it.

"Here," he shouted, "look at these ice cubes. Now try to tell me that electrical refrigerators didn't throw thousands

of icemen and ice manufacturers out of work!"

Well, here's the answer to that:

The manufacture of mechanical refrigerators now employs almost *twice* as many workers as were ever engaged in manufacturing ice in the United States.

And—here's one for Ripley—United States Census figures show that, between 1920 and 1930, when millions of electrical refrigerators were being sold, ice dealers increased from 8,000 to more than 19,000! But what of the cabinet makers, metal shapers and others employed in manufacturing ice boxes?

Latest statistics indicate that more ice boxes are being manufactured today than before the mechanical box was introduced. Millions in the lower income groups who had no refrigerators at all as recently as 15 years ago have become "ice conscious," and are buying ice boxes developed to meet the competition of home refrigeration.

Again the ice industry more than doubled its workers as the direct result of labor saving machinery. Less than 14 years ago, when only about 200,000 electrical ice boxes were produced a year, the average price was \$400 as compared to \$163 when sales had reached the 2,000,000 mark.

One of the most spectacular developments in the whole field of mass production machinery was the introduction, less than 12 years ago, of the continuous mill for producing steel sheets and strips. Probably no other recent invention has had more far reaching economic effects, and certainly no other machine has been so bitterly attacked by the critics of technology.

It was this continuous mill that prompted Representative John J. Cochran, Democrat of Missouri, to introduce at the last session a joint resolution (H.J. 65) calling upon the Secretary of the Treasury to "investigate the desirability and practicability of taxing the use of labor-saving and labor-displacing machinery."

In pressing his resolution, Representative Cochran said:

Why did I ask that this investigation be made? I am frank to say it was because the thought was in my mind that some day we are going to be required to consider seriously the advisability of taxing labor-saving and labor-displacing machinery, if no other way can be found to take care of the manpower that suffer the loss of their jobs as a result of invention.

It is true that such an investigation might worry business, but it is also true that millions of our citizens are already worried as a result of the installation of labor-saving and labor-displacing devices.

Mr. Cochran then inserted in the Congressional Record an editorial appearing in the *St. Louis Post Dispatch* of May 7, 1939, which reads in part:

With such a machine a crew of six men can turn out 446 tons of tin plate in an eight hour day. A crew of five men on the

Elevated highways to the rescue



George W. Drennan (right) President Drennan & Sill, Inc., Detroit, Michigan

"Transportation is exerting a far more destructive influence on property values in congested areas than natural depreciation from use or damage. . . . If old congested shopping districts are to remain, a new type of highway must be built or mass transportation provided. Widening of streets will not do it. A type of street either above or below ground seems most desirable. An elevated highway can be erected at little or no more cost than some of our street widenings and if limited to buses at certain hours it would discourage individual cars and eliminate many parking lots."



"North America"

INSURANCE IS DEPENDABLE PROTECTION

The stress of recent years has given greater significance to the term "financial stability." That is why business men are today exercising discrimination in the selection of their insurance carriers, with keen interest in the name on the policies that safeguard their investment in their businesses, homes and other possessions. For an insurance policy is merely "a promise to pay," a promise whose worth obviously must be predicated upon the financial strength of the insurance company behind it.

In the public's mind "North America" Policies are synonymous with *dependable* protection, an acceptance that is supported by the Company's 148-year record and financial position.

- ★ Oldest American fire and marine insurance company...founded 1792.
- ★ A 148-year record of prompt and equitable settlement of claims.
- ★ Losses paid since organization over \$444,000,000.
- ★ The Company has successfully weathered every conflagration in the history of the United States, as well as all panics and business depressions.
- ★ Surplus to Policyholders over \$71,000,000.
- ★ Capital \$12,000,000.

Insurance Company of North America

PHILADELPHIA

and its affiliated companies write practically every form of insurance except life



Every Major Improvement in Watchman's Clocks was first made in a *Detex Clock*

1st

The first American-designed watchman's clock was built almost a half century ago. This clock, since vastly improved, was a Newman—one of the Detex line.

1st

The first watchman's clock to be made completely in the United States was a Detex Clock.

1st

Back in 1904 the Board of Underwriters approved the first watchman's clock—of course it was a Detex Clock.

1st

First today, as they were at the turn of the century, Detex Clocks, 80,000 of them, are now nightly proving their worth in plants throughout the United States, supervising watchmen, preventing loss through fire and theft.

There is a Detex Supervisory System designed to suit your needs and your plant—designed to assure you maximum protection. Make a note to investigate today. See your nearest Detex agent or write for complete information.



DETEX WATCHCLOCK CORPORATION
80 Varick St., N.Y. 4153 Ravenswood Ave., Chicago, Ill.
29 Beach St., Boston Rm. 800, 116 Marietta St., Atlanta

NB-1

DETEX

WATCHMEN'S CLOCKS

NEWMAN • ECO • ALERT • PATROL

old-style hand mills turned out ten tons in eight hours.

From ten tons to 446 tons is surely stepping along. Of course, the new machines are expensive. They cost \$10,000,000 each. Twenty-six of them are now operating. The research department reports they have eliminated 85,000 jobs.

Certainly Mr. Cochran has cause for alarm if that is what the continuous mill has done, and is doing, in the steel industry.

But were these men thrown out of work, or merely shifted from a type of work that the continuous mill could do faster and better to some other phase of activity in the industry?

This is what John H. Van Deventer, editor of *Iron Age*, has to say in an article published in the *Detroit Sunday Times* of January 15, 1939:

At the time of the introduction of this phenomenal machine (the continuous mill) the usual predictions were made as to the number of workmen it would displace. Yet in the past ten years, employment in companies which operated continuous mills increased 28 per cent. If we trace the effect of employment in the company and town where the continuous mill was first introduced, we get some interesting results. We find that the population, employment and wages have more than doubled in that short time.

Wider market, more workers

INFORMATION that I have obtained from manufacturers of the rolling mills and officials of factories employing them show that, in the aggregate, these mills have resulted in employment increases ranging from 11 to 13 per cent. Mr. Van Deventer's figures are probably more up to date. I do not question them. The important point is that, instead of reducing employment, the continuous mills have actually increased the number of wage earners in the steel industry.

How can such diametrically opposed views be reconciled?

Let me repeat: Those who see a machine displacing labor take a surface view. Because rolling mill men were taken off a certain job, critics of the machine immediately conclude that they were discharged, whereas they were absorbed in other phases of steel manufacture, along with additional help made necessary by the increased production that the continuous mills made possible.

Because of the development of the continuous mill and other technological practices, the use of steel in the United States increased from 2,600 pounds a person in 1900 to 16,800 pounds in 1935.

As a result, employment in the steel industry has risen from the 150,000 of 60 years ago to approximately 500,000 today. And according to figures released by the Machinery and Allied Products Institute, employment in 1936, the last year for which we have complete statistics, exceeded the 1929 peak. Today it is even higher.

One important feature of technology generally overlooked is the fact that machines, besides increasing employment in the industry to which they are adapted, create a vast number of incidental or "hidden" jobs outside that industry. For each operator of a labor

saving machine, countless others, both in and outside of the industry, owe their job to that machine.

A good example of this is found in the automotive industry. Although accurate figures cannot be obtained, it has been estimated that, in addition to the hundreds of thousands of workers actually making motor cars, some 11,000,000 make their living indirectly, but no less certainly, from the labors of the man in the factory. This vast number includes filling station employees, garage mechanics, distributors, salesmen, tourist camp proprietors, road builders, and operators of the wayside "hot dog" stand.

Few of them would be in business or jobs today if labor saving machines had not made mass production of automobiles possible.

Now let's see what mass production methods have done to labor in the auto industry itself.

We would naturally expect fairly rapid growth in the early stages of any new manufacturing enterprise, but the automobile industry continued to expand tremendously long after attaining maturity, and, in point of employment, is still growing, despite, or again, because of continuing technological advancement.

Employment in automobile factories in 1937 was 15 per cent higher than in the peak year of 1929, although production was below the 1929 level, due to increases in the quality and size of the average motor vehicle. For every 100 workers engaged in automobile manufacture between 1923 and 1925 there were 109 in 1935.

Another industry popularly believed to have been hamstrung by labor saving machinery is mining.

Mining machinery has been perfected to the point where two men can in one hour undercut more coal than was normally undercut by a miner working in a full week. A locomotive manned by two men can haul more ton-miles in an hour than a driver and a mule could move in a month. Loading machinery like the steamshovel has tremendously magnified production per man.

When such machines were first introduced many miners—like the weavers of early England—rioted and attempted to wreck the machines.

Mechanization and workers

THEY couldn't foresee that mass production was to mean more jobs and better wages, with improved working conditions. One of the most highly mechanized coal mines in the world is in West Virginia. It is now employing half again as many workers as it did before the installation of labor saving devices.

This is not a freak case. It is typical of coal mining in the United States as a whole.

Mechanization, and the lowered cost and increased demand that mechanization brought, was directly responsible for employment in coal mining increasing from 190,222 in 1890 to 480,000 in 1935.

Theorists who hold that labor saving machines are in reality labor displacing

machines often level an accusing finger at office work.

Here again let's study the facts. In 1860, when not a single office machine was known, only 4,000 out of every 1,000,000 were employed in office work. Then came the typewriters, adding machines, multiple check signers and scores of other labor saving devices.

Today 50,000 per 1,000,000 population are engaged in office work.

According to United States Census figures, the period marked by the most intensive technological advances in office work—1920 to 1930—saw stenographers and typists increase from 615,000 to 811,000, while bookkeepers, cashiers and accountants rose from 735,000 to 931,000. Today the total is larger.

Labor saving machines, more than any other factor, are to be credited with this increased employment. It's not a question here of machines displacing labor, but of machines creating and doing work that simply could not be done without them.

Another good illustration of how labor saving machines create jobs is to be found in the baking industry. The introduction of electric mixers, automatic ovens and the like led many to believe that thousands of those engaged in old-fashioned methods of baking would have to seek other employment.

But modern innovations actually brought more workers into the industry, because they improved quality, lowered prices and thus stimulated demand. About 200,000 are now employed in commercial baking. Suppose we discarded all labor saving machinery and returned to hand methods. Would the 200,000 men and women now employed in the industry be increased?

Hand work and high prices

CERTAINLY not. Most of them would probably be hunting jobs because, if inexpensive, uniform quality bread and crackers could not be bought at prevailing prices, baking would return to the home. Housewives would not pay the greatly increased prices that hand-baked bread would demand, and all the bakers in the country, working double shifts, could not supply a fraction of the present demand.

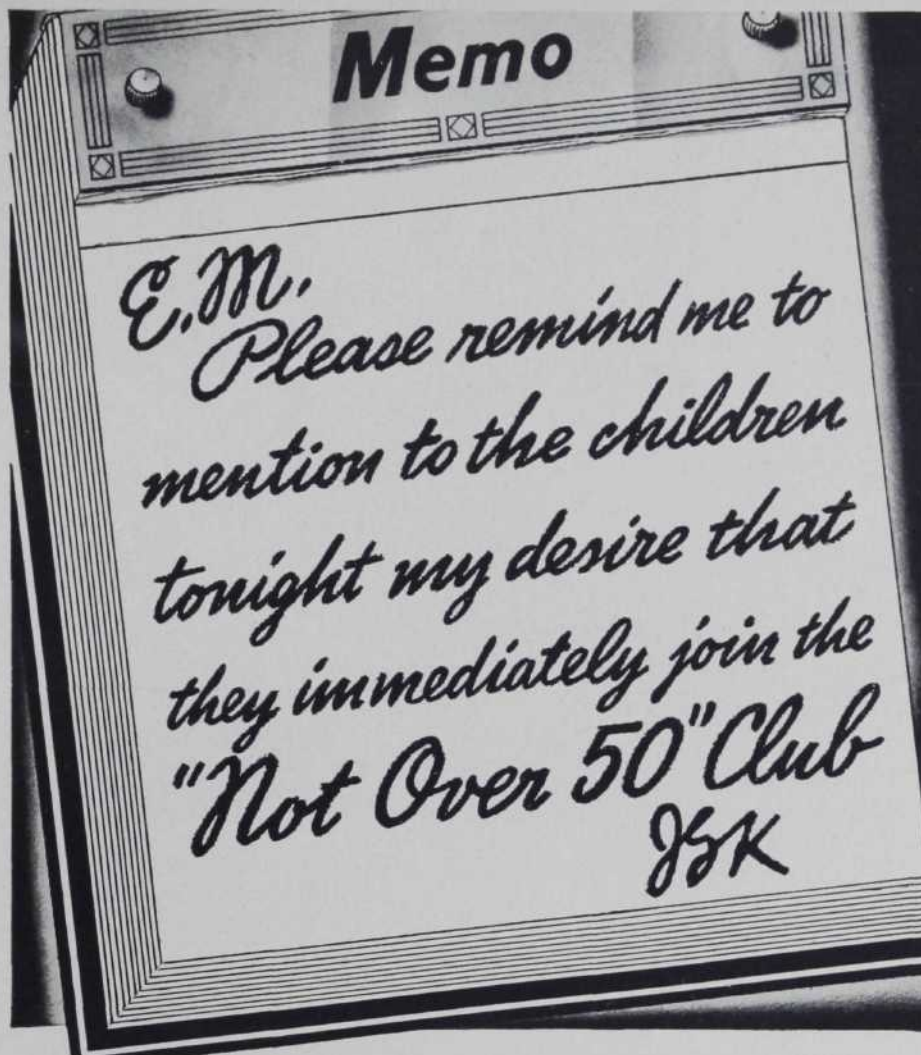
And so it goes, on down through all our industries. Over the long pull, machines invariably increase employment.

Take glass. Thanks to mechanization, it has become so cheap that it now takes about three times as many workers to supply the market as it did when glass was hand blown.

Take the dial telephone. Has it displaced labor?

Dial telephones in the Bell system increased from 2.7 per cent in 1921 to about 32 per cent in 1930. But telephone calls per month more than doubled in the same years, and telephone operators increased from 190,000 in 1920 to almost 249,000 in 1930, according to United States Census figures.

Telegraph and telephone linemen almost doubled in the same period. Bell system officials assure me that their employees have increased by almost the same ratio since the 1930 census. This



Is the little red arrow of the "NOT-OVER-50" CLUB on your speedometer? It reminds you, and everyone who drives your car, that you believe in driving safely and under a sensible speed limit.

You need not be insured with Lumbermens to join the "NOT-OVER-50" CLUB. Organized by Lumbermens to bring the benefits of safe driving to car owners, the Club is part of the company's crusade to reduce automobile accidents.

Lumbermens helps all motorists . . . and its policyholders in particular . . . to avoid accidents. That is one reason why it writes more automobile casualty insurance and pays motorists more dividends than any other company in America.

Phone your Lumbermens agent today and enroll yourself and family in the "NOT-OVER-50" CLUB. Ask him—if you think you would be eligible as a careful driver—about this company's dividends which have saved policyholders an average of over 20% of their automobile insurance premiums since organization.

LUMBERMENS MUTUAL CASUALTY COMPANY

JAMES S. KEMPER, President

MUTUAL INSURANCE BUILDING, CHICAGO, U. S. A.

Operating in New York as (American) Lumbermens Mutual Casualty Company of Illinois

LUMBERMENS MUTUAL CASUALTY COMPANY, Mutual Insurance Bldg., Chicago, Ill.

Please send me printed information ☐ about the "Not-Over-50" Club — ☐ about how I may save by placing my automobile insurance in Lumbermens.

Name

Address

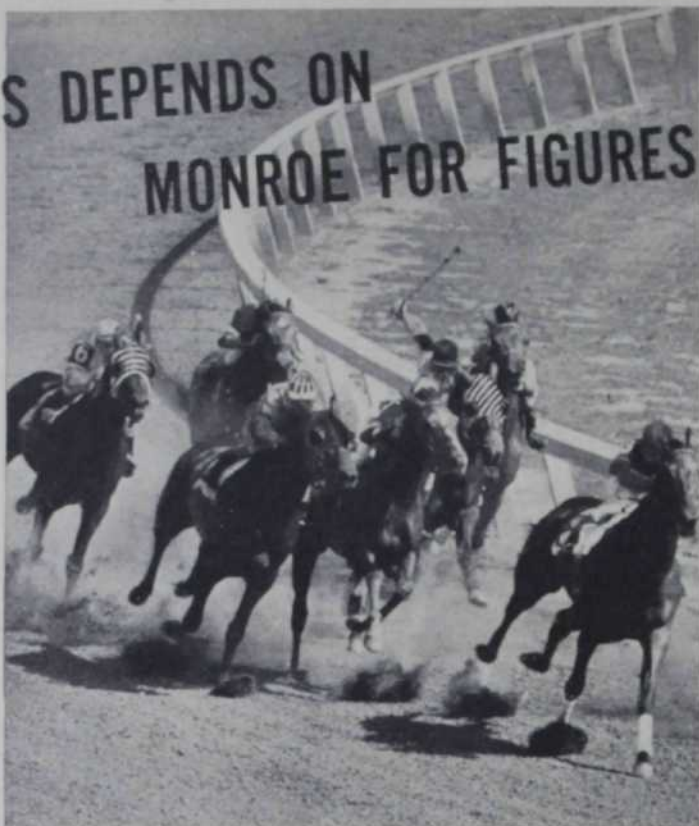
City State

N.B.1

Save With Safety in the "World's Greatest Automobile Mutual"

BUSINESS DEPENDS ON MONROE FOR FIGURES

RACING . . . Neck and neck at Hollywood Park, California's great new racing park. Speed is essential in providing pari-mutuel prices, and at Hollywood and at most other tracks, Monroe adding-calculators are doing the varied figure work that goes with racing.



You can't get away from business figures but you can get away from all delay, loss, and drudgery of slow, inaccurate figuring. Once you see a Monroe at work on your own figures, you will see why Monroe machines

are doing the lion's share of the nation's figure work. There is a Monroe for every figuring job, at prices to fit the budget of any business, large or small. Call the nearest Monroe branch for a trial—no obligation.



WHEATIES . . . General Mills use Monroes for figure work in plants and offices at many points. The varied work of this great business calls for different Monroe models, both calculators and listing machines.



TRAPS . . . The Animal Trap Company of America makes more game traps than any other manufacturer. For 15 years, Monroe machines have done their figuring work—they use both calculators and listing machines.



VELVET TOUCH . . . There is a Monroe for every kind of figure work. The adding-listing machine shown here is desk-size. It has "Velvet Touch" keyboard, direct plus and minus bars, and live operating keys. Simple, speedy, quiet, versatile, and sturdy.

**A MONROE FOR
EVERY FIGURE JOB**

ADDING-CALCULATORS
LISTING MACHINES
BOOKKEEPING MACHINES
CHECK WRITERS
CHECK SIGNERS

MONROE

CALCULATING MACHINE COMPANY, INC.

GENERAL OFFICES • ORANGE, N.J.

steady increase in jobs is due to the great increase in the volume of calls, and the increased number of calls is due largely to the dial telephone. Without this instrument it would be physically impossible for the telephone companies to conduct the business that they now do, at the same cost to the public, and with the same efficiency and convenience.

One important aspect of technology is the fact that, although innovations make certain old occupations obsolete, in a generation or two, they also create many new ones, and invariably the net result has been an increase in jobs.

Let us look at the 18 major manufacturing industries that owe their being entirely to labor saving devices—industries such as radio, rayon, aircraft, etc. These fields of manufacture, all a product of the Machine Age, are responsible for the employment of 1,000,000 in plants alone. It is impossible to estimate the additional millions who receive employment producing and processing raw materials for these industries, and handling, servicing and selling the finished product, but it may be conservatively estimated that one out of every four persons gainfully employed today owes his job to a type of manufacturing spawned by technology.

And, while old industries are declining, these new ones, between 1920 and 1930, added more than three new workers for each one the vanishing industries lost. In 1930, for instance, there were 321,322 fewer draymen and stable hands than in 1920. There were 134,000 fewer wheelwrights and diesetters, 75,000 fewer dressmakers in homes, and 74,000 fewer blacksmiths. The total loss in the declining industries was 800,000. But for the same period the gain in new industries created by labor saving machines was 2,250,000. We picked up, for example, 687,000 truck drivers and chauffeurs, 356,512 mechanics.

Less work in hand trades

STILL another point is that unemployment, if it were really traceable to mechanization, should naturally be most severe in the industries where labor saving machinery is most widely used. But it is not. Employment today is nearest normal in the most highly mechanized industries.

Unemployment is most pronounced in the least mechanized occupations.

Where, then, you might ask, do our 8,000,000 or so unemployed come from? If our factory pay rolls equal, or in some cases exceed, those of 1929, how can you explain the vast army of jobless that we have today?

For the answer we must look elsewhere than to the factory, because, at no time have more than one-fourth of our total wage earners been employed in manufacturing, white collar workers included, and the proportion is higher today than in 1929. In that year 47,368,000 persons were gainfully employed in all lines of industry, agriculture, professional service, business, domestic and public service. Of this total, 23 per cent were engaged in manufacturing.

In 1936, approximately 24 per cent of those employed were in manufacturing,

MORE THAN 150 MONROE-OWNED BRANCHES SERVE AMERICAN BUSINESS

despite the fact that the national income had dropped from \$80,757,000,000 in 1929 to \$63,799,000,000 in 1936. Today we have an estimated 25 per cent of all wage earners on factory pay rolls.

No opponent of the labor saving machine will deny that it has been largely instrumental in establishing our present high standard of living. The goods and services that we accept as necessities of modern life could not have been obtained except through industrial inventions. Such luxuries as the automobile, radio, washing machine would be available to only a small number of families if technology had not lowered their cost through mass production.

Many tasks must be performed today that are beyond the capabilities of human hands alone. And even if all the goods and services now enjoyed could be provided by hand labor, there would not be enough workers.

Too much for hand work

IN THIS connection, the United States Census offers some interesting figures. In 1900 we had 29,000,000 persons gainfully employed. By 1930 this total had risen by about 60 per cent, but, in the same period, factory production increased 200 per cent. Had it been necessary to increase hand production in the same proportion as factory production, 90,000,000 workers would have been required. This would have been 73 per cent of the total population, or every person, male and female, more than 15 years old plus one out of every four between ten and 15.

In no discussion of the machine can we omit the undisputed fact that labor saving devices have been accompanied by steadily increasing wages. Where machinery enables a worker to step up his production, his pay envelope fattens. Employees received 53 per cent of the national income in 1900; 56 per cent in 1910; 63 per cent in 1920, and 65 per cent in 1929, according to the National Industrial Conference Board. By 1934 the share which labor received had risen to 67 per cent. It is higher today.

Most economists agree with the facts that I have developed so far with respect to labor saving machines.

"But," say some, "there is a saturation point, beyond which the machine becomes a menace. We have passed that point. We have gone too fast and produced too much. We must slow down before men can go back to work, and to slow down we must curb the machine."

Here is the crux of the whole current argument. Have machines brought overproduction and attendant evils? The question involves many factors. A comprehensive study of our ability to produce goods and services was completed in 1934 by the Brookings Institute. After analyzing natural factors, equipment and the labor force of the time, the Institute concluded that the nation as a whole was producing at only 80 per cent of maximum capacity in 1929. There is ample evidence that the United States had no greater percentage of unused productive capacity in 1929 than in previous years. And there is good reason

"Flying saves us over 4,000 working-hours a year"

SAYS MR. E. JOHN MAGNIN,

President of I. Magnin & Company, Exclusive Style Shops in many West Coast Cities

"It pays us plenty to fly, in two very important ways—first, because of the thousands of working-hours and traveling expenses saved by our executive buyers each year—and second, we are able to display at all times the newest of the new from the world's style and merchandise marts.

"Here's the way it works. At a minute's notice, our buyers can now fly across the continent overnight, and in one week's time accomplish the same job that used to consume two weeks. If your pencil is sharp, you can figure that, on at least 50 trips a year, Air Transportation means a lot to us."

This endorsement given without compensation



FLY YOUR MEN—SAVE DOLLARS AND TIME

If it is your job to get results from your men and okeh their traveling expenses, it will pay you well to phone or write the nearest Airline office and ask for a representative to call and show you how and why Air Transportation has proved most profitable and also very economical to many other companies—It can be of service to you and your men.

ASK YOUR TRAVEL AGENT: It's easy to

buy an airticket to any place in the United States or the world. Simply phone or call at any Travel Bureau, Hotel Transportation Desk, Telegraph office or local Airline office, for airline schedules and fares.

AIR TRANSPORT ASSOCIATION
135 South LaSalle Street, Chicago, Illinois

This educational campaign is sponsored jointly by the 16 major United States Airlines, and Manufacturers and Suppliers to the Air Transport Industry.

FLY

IT PAYS TO

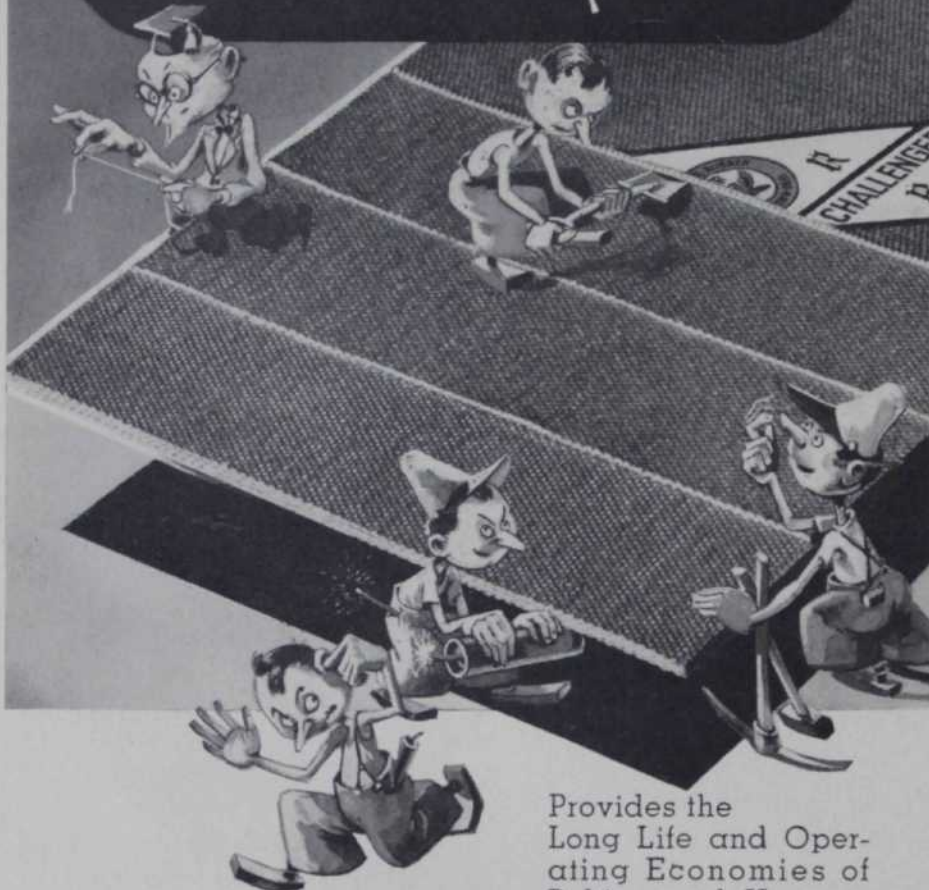
TRAVEL, MAIL, SHIP BY AIR

Air Mail gets there FIRST, and gets FIRST attention—for only 6c an ounce.

Air Express packages get there FIRST. Low cost, world-wide.

Call Air Express Division, Railway Express Agency.

UNDER-COVER QUALITY



Provides the
Long Life and Operating
Economies of
Belting and Hose.

● In the same way that crude rubber needs various compounding and reinforcement materials to be at all serviceable—the finest Mechanical Rubber Products have advanced engineering features for the best serviceability... their different elements are combined according to the most improved methods. This is the under-cover quality.

You have only to examine the inner structure of Republic Belting or Hose to detect the advancement in built-in quality—you will find

such refinements as duck construction for belting designed to eliminate internal chafing... strong and resilient cord carcass in pneumatic hose for resistance to unusual shock and abuse... tenacious rubber compounds for wear and tear. The next time your plant requires belting or hose replacements, look into the merits of a Republic brand. Republic Rubber Division of Lee Rubber & Tire Corp., Youngstown, Ohio.

REPUBLIC RUBBER
HOSE • BELTING
PACKING • MOLDED PRODUCTS

Order Republic Rubber
Products From Your
Distributor

Republic Challenger
Transmission Belting
installation.

Republic's famous
Tower Pneumatic
Hose in use.



to believe that unused capacity is much less than normal today due to a population increase of about seven per cent since 1929, and the fact that replacement of old equipment has not kept pace with obsolescence and demolition. Furthermore statistics throughout the Machine Age show that employment and production rise and fall together, and that at no time has employment risen appreciably unless the trend of production was upward.

Yet many sincere students of the unemployment problem believe that labor saving machines have brought overproduction, and that overproduction is directly responsible for millions being out of work today.

It is this school of thought that has advanced plans for shackling the machine with taxes and penalties.

It will be interesting to follow the fate of these proposals. All of my facts would indicate that plans to curb the machine are based on a false premise.

Danger in machine taxes

MOST industrialists claim that the proposed tax on labor saving machinery would result in double taxation. They point out that the machine and its product are inextricably linked, and that, since products such as automobiles and radios are already taxed, any levy on the use of the machines that make them would represent doubling up. They also believe that such taxation would inevitably increase the price of the product, with resultant fewer sales and more unemployment. Assuming that the proposed tax on labor saving devices should prove practical, and would reduce unemployment, it is certain that the administration of the tax would encounter many problems.

Opponents of the plan say that a bureaucracy approaching the N.R.A. set-up would have to be created, with hundreds of clerks, inspectors, examiners being added to the federal pay roll.

How could we determine the tax to be assessed for each type of labor saving machine that is operating? And how far back should we go in our classification of labor saving machinery?

Some of these problems must have been in the mind of Undersecretary of the Treasury John W. Hanes when he wrote to Senator Pat Harrison, chairman of the Senate Committee on Finance, on Feb. 6, 1939, relative to S. J. Resolution 3, one of a number of proposals for taxing machinery.

Asked for his opinion on the matter, Mr. Hanes replied, in part:

While, of course, considerations of practicability must affect the conclusions as to the desirability of the tax, it nevertheless seems that, in the instant situation, the question of desirability involves large and controversial issues of policy touching industry and commerce and the persons employed therein, in general, and capital and labor employed in the manufacture of labor saving machinery in particular... this department does not recommend adoption of the proposed resolution.

But we still have some 11,000,000 unemployed. What is to be done about them, and more, particularly, what are

we to do with the machine that is accused of throwing them out of work?

Before expressing an opinion, let me briefly review our industrial history between 1900 and 1930. Those three decades saw the United States become the greatest manufacturing country in the world, and the most prosperous. This prosperity can be traced directly to the introduction of the so-called labor saving machine. It created millions of new jobs, developed numerous new industries, raised wages, and gave us a living standard that makes the average salaried American a millionaire by comparison with workers in many foreign nations.

But the technological advancement that brought this prosperity could not have been achieved but for the United States Patent Office. Few persons realize that our patent system, even more than the machine, is chiefly responsible for the tremendous growth of wealth in this country. Without the patent system, and the protection and cooperation that it affords, few capitalists would have dared to invest their money in the manufacture of the countless products that have built our wealth. Our patent system, while open to improvement, is still the finest in the world. That is why America leads the world in the development of industrial inventions.

Sometimes critics of the machine ask me, "Why should the Government reward and encourage the creation of unemployment?" in a tone that implies, "Aren't you ashamed of your job?"

Patents help progress

I AM proud of my job and of the patent system, because I know that patents stimulate progress, and create industry and employment. Those who would bring back economic prosperity certainly have no reason to be alarmed over technological progress. Our records show that approximately one out of every six patents issued has labor-saving as its purpose, and even devices designed to eliminate jobs often increase employment through producing goods that could not be made by hand.

I do not claim to have a cure for unemployment. It is a complex problem. But I have an idea, founded in facts, that might relieve the situation to a great extent. That idea is that we should cease to regard the machine as a villain, and begin to recognize it as the most promising agency for putting men back to work.

If we are to be guided by facts tested and proved throughout our Machine Age, we should not shackle the machine.

We know that technology has created 15 or 20 new industries, and millions of new jobs. Why shouldn't advanced technology create more new industries, offering millions of additional jobs?

We have seen how the labor saving machine lowered the cost of an automobile from \$3,500 to \$600. Why could we not reasonably expect new and better machines to lower the cost still further, thereby bringing jobs all down the line through tapping new markets? The limit of man's ingenuity has by no means been reached. It is limitless.

**He's helpful — and
he lives next door**



In your neighborhood there's a man who's friendly, capable and *always available*. He's your local Standard agent or broker.

Call on him to make a survey of the hazards that menace your security. You'll find him ready to help you choose correct insurance coverage for home, business, property and person, against loss due to robbery; forgery; automobile accidents; embezzlements; injuries to self, employees or public; and similar hazards — *and eager to help you out of trouble when misfortune befalls.*

Standard of Detroit writes all types of Fidelity and Surety Bonds — virtually every form of Casualty Insurance.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

MAN TO MAN in the MONEY MARKETS

By CLIFFORD B. REEVES

Feud Among Underwriters

UNDER the leadership of a number of important investment houses outside New York City, a fight is under way to break the hold that the big New York houses have on the origination of security issues of leading corporations. This struggle to disrupt long-standing banking connections and "decentralize" financing promises to become one of the outstanding financial developments of the coming year.

Because there is not enough new issue business to go around at present, the "have nots" look with covetous eyes at the profitable business of the "haves" and would like to capture a part of it. Time was when underwriting relationships between investment firms and leading corporations were almost sacrosanct. But the dearth of business has changed all that.

One way in which the leaders of this new movement hope to accomplish their objective is by demanding competitive bidding.

Even in cases where the issuing corporation decides against such procedure, the competing bankers can attempt to embarrass the management by publicly stating their willingness to bid a higher price than the one arranged.

This makes effective publicity against the tradition of continuing banking connections. It is unfair, of course, in that it fails to take into account the prestige of the offering house, past services rendered and other factors that may have played a part in determining the price agreed to by the corporation. Moreover, it is one thing to bid higher for an issue you know you are not going to get; selling it successfully at such a price is something else. Moreover, a high price does not necessarily reduce banking costs, but may involve serious penalties both to the corporation and investors.

The "have nots" also hope that, as a result of the integration of utility

systems into state-wide, rather than widely scattered systems, as required under the Public Utility Holding Company Act, they will be able to bring about "localized" financing in the future. Under this system, a Middle West utility group would be financed by Middle West bankers and a West Coast group by West Coast bankers.

This raises the sure-fire appeal of sectional pride. Whether the underwriting capital of various sections or the local demand for securities will be great enough to meet the needs of local industries, however, seems questionable.

Another evidence of the rebellion is the complaint that out-of-town investment leaders are not being given large enough participations in issues that now originate in New York. Dealers claim that the originating houses are keeping too large a proportion of such issues for distribution by their own organizations. This complaint is just one small note in the loud chorus of publicity against the alleged monopoly of a small group of New York houses in the new issue business.

Flash! Man Bites Dog!

THERE is no novelty about suits brought by investors against those who sell securities. But when an investment underwriting firm sues to recover losses on its own issue, that's news!

The first case of this kind arose recently when Russell Maguire & Co., Inc., and M. J. Hall & Co., Inc., who had underwritten an issue of common stock of the Detroit Paper Products Company, filed suit for \$400,000 damages against the engineering firm on whose expert opinions the underwriters had relied.

The Securities Act makes all so-called "experts," such as engineers and accountants, liable for the accuracy of any statements they make that are a part of a registration statement. So far as is known, however,

this is the first time any security underwriting firm has tried to collect damages from its consulting experts because of alleged misleading statements.

It's refreshing to learn that underwriters can sue, as well as be sued, under the Securities Act.

Senator Norris Pulls a Boner

SEN. George W. Norris of Nebraska is the father of the T.V.A. and has been a constant critic of private utility companies. So it might fairly be presumed that he had at least an elementary knowledge of utility operation and finance.

Therefore, when the Senator recently charged that the Consumers Power Company of Michigan was "robbing" its customers by allowing its parent company, Commonwealth & Southern, to buy its stock at a lower price than was offered by an outside banking house, the financial community was both amazed and amused.

It was amazed at the Senator's ignorance of the real effect of the transaction he criticized; and amused because it knew what a boomerang his criticism would prove to be.

The Consumers Power Company, all of whose common stock is owned by Commonwealth & Southern, needed new share capital, which the parent company agreed to provide. The price agreed upon was \$28.25 a share, which was the book value. This price was adopted in accordance with a formula established the preceding year by the Securities & Exchange Commission. At that time, when Commonwealth & Southern was willing to pay \$60 a share for Consumers Power stock, the S.E.C. requested that it pay *only the book value*.

The Michigan Public Utilities Commission, acceding to the S.E.C.'s wishes, approved the sale.

After the price had been set in the current transaction, Otis & Company, a Cleveland banking firm, offered to pay more than \$28.25 for the stock. When the company ignored this offer, Senator Norris started to scream, "Robbery!" His contention was that, by refusing to sell its stock at the higher price, the company was allowing itself to be "milked" by its parent, with penalty to its own customers who would have to make up the difference in the long run by paying higher rates.

Superficially this might seem to be true. But any junior statistician in Wall Street could have shown Senator Norris his error.

Commonwealth & Southern owned all of the common stock of Consumers Power to begin with, and would continue to own all of it after the transaction in question was completed. So it made no difference to C. & S. wheth-



SAFEGUARDING THE NATION'S BUSINESS

When new frontiers are to be gained, the hardy scout plays the leading role. It is he who forges ahead to feel out dangers and sound the alarm for those who are to follow.

Capital Stock Fire Insurance is industry's trustworthy scout. Without the constant vigilance of this sound and effective

protection, all industrial progress would be slowed down or stopped.

The engineering and inspection service of THE HOME and its policy of prudent yet progressive underwriting, provide for industry the safest

and most reliable precaution against loss following insurable mishaps.

Industry crossing frontiers need not be exposed friendless to savage attacks and the gauntlet of fire, wind-storm, explosion and similar hazards.

The HOME INSURANCE
COMPANY
NEW YORK

This kind of insurance—ear to ground, eye to future—safeguards the nation's business.

Through its agents and brokers, THE HOME is the leading protector of American Homes and the Homes of American Industry



Copyright 1939, American Credit Indemnity Co. of N. Y. YI

Their Business *Looked* The Picture of Health

To all appearances the debtor's business was sound and flourishing. Everything looked rosy when goods were shipped. But...

No matter how exhaustive a Manufacturer's or Jobber's investigation may be, dangerous conditions may exist. Sometimes the debtor, himself, doesn't know. Other times unsafe factors are successfully concealed.

American Credit Insurance

makes your debtors' accounts *actually* as safe as they *seem to be* when credit is extended. All goods sold under the terms of the policy will be paid for.

American Credit Insurance removes the menace of unexpected credit losses, prevents the indefinite freezing of capital in delinquent accounts. With receivables secure and capital liquid, you are in exceptionally favorable position to sell --- *and to obtain banking accommodations.*

Include Credit Insurance in your executive program for 1940. Ten policy forms provide exactly the kind and degree of credit protection you require. Investigate.

AMERICAN CREDIT INDEMNITY CO.
OF NEW YORK . . . **J. F. McFadden, President**

Chamber of Commerce Building, St. Louis, Mo.

Offices in all principal cities of United States and Canada

er the price it paid for the new stock was \$1 or \$1,000.

But the price was a matter of vital interest to the electric customers of Consumers Power, as it would have a bearing on the capital valuation that is one of the factors considered in rate-making. The higher the price was set, the greater would be the capital values that must be supported.

So, in urging that the company accept the offer of a higher price from outside bankers, instead of selling stock to its parent company at the book value of \$28.25, Senator Norris was unwittingly advocating an inflation of capital values—the very thing for which he has always criticized utility companies, and which he says is one of the chief reasons for high utility rates!

Mystery In the Stock Market

THE weakness and dullness of the stock market in the face of recent rapid improve-

ment in business and industrial activity is a strange anomaly for which the financial community has been frantically trying to find an explanation.

In one of the most rapid upsurges in recent history, industrial output has jumped 20 per cent since the beginning of the war. Corporate earnings have shown large gains, and scores of extra dividends were declared in the closing months of the year.

But, instead of responding as expected to these favorable developments, the stock market declined steadily on decreasing volume.

Renewed strength in early November was shortlived, and, by early December, the industrial average was ten points below its early September peak. Meanwhile, the volume of trading on the New York Stock Exchange declined from 57,000,000 shares in September to 23,000,000 in October and to only 19,000,000 in November. In the latter month there were only six days on which trading totalled 1,000,000 shares or more.

As to the reasons for this strange apathy in the stock market, there are two schools of thought. Many observers attribute it to liquidation of the holdings of British and French investors. The recent dwindling volume of trading, however, would seem to cast doubt on the importance of this factor. But sponsors of this theory, who estimate such liquidation at about \$1,000,000 daily, claim that, because present markets are so sensitive, even that much selling will cause a price decline.

Other observers, who question the effect of foreign liquidation, feel that the market is merely expressing skepticism regarding the continuance of

the recent business boom. Many economists and market analysts fear an early reaction from the "false war boom" and think that a business slump is in prospect for early 1940. They feel that business overstocked during the early months of the war because of fear of shortage or price advances and predict that such "fear buying" will soon cease. They point out that orders for American goods placed by foreign governments have meanwhile been relatively small, so that neither domestic nor foreign demand will support the present rate of industrial activity.

Foiling the "Free Riders"

THE Treasury Department has always been eager to encourage small investors to subscribe to Government bond issues. But the small fellows have been the bane of the Treasury's existence, because of their habit of taking "free rides," that is, reselling their bonds at a profit before making full payment on them.

Government issues are usually offered at a price that will assure their rising to an immediate premium. Hence the small buyer has been able to subscribe, make an initial payment of ten per cent, and resell immediately at a profit. If the premium at which the bonds sell is $1\frac{1}{2}$ points, as is often the case, the investor makes a sure-thing profit of \$15 on each \$100 he puts up.

In the past three years, the Treasury has devised various restrictions to prevent this sort of speculation in its issues, but without much success. On the recent offering of \$500,000,000 of two per cent Treasury Notes, however, a new plan was devised, which seemed to be airtight.





Individuals who subscribed for \$5,000 or less were given their full allotments, but were required to pay for them promptly in full, and prohibited from selling for two months. Payment in full and the assumption of the risks of holding for at least 60 days made subscriptions attractive only to legitimate investors who were really buying for continued holding.

This provided for the first time interesting evidence as to the extent of the real demand for Government issues by small investors. The figures showed that subscriptions in amounts of \$5,000 or less totalled something between \$20,000,000 and \$25,000,000 or four to five per cent of the \$500,000,000 offering. This indicates clearly that the Treasury is dependent upon large institutional buyers and that real private savings of individuals are not being attracted to Government offerings in any large amount.

A SIMPLE WAY TO LOWER HAULING COSTS



Truck Users In 100 Industries Have Proved This Method Practical!

Fact One You know that a horse  can carry only a few hundred pounds on its back, whereas it can pull many times that much.  Likewise, a motor truck  when coupled to a Trailer and used as a mechanical horse  can pull far more than it can carry.

Fact Two THE FRUEHAUF "Truck-Trailer" method of hauling has been adopted by truck users in more than 100 lines of business. Chief among these users are professional haulers whose income depends solely upon their hauling costs. Whatever your business, the "Truck-Trailer" method may be just what you, too, can use more economically.

Savings In First Cost To Start With

You're sure to save on first cost. Instead of buying a truck with the capacity needed to carry your loads, you select a smaller truck, add a Fruehauf Trailer and pull your loads. The price of the smaller truck and trailer is much less than that of a larger truck of equal capacity—on an average one-third less.

Now Come Still Greater Savings

Your fuel cost will be lower—as much as 30% less—because the truck you use to pull your Fruehauf is smaller. . . . Your upkeep cost will be lower for the smaller truck. Savings here may be as high as 35% . . . Your depreciation will be less since the smaller truck will cost only one-half as much.

You'll have a smaller investment to write off initially and when you replace it. The Fruehauf Trailer is good for ten years or more.

Add "Plus" Advantages

Leading the list of other advantages is the "Shuttle" operation. With one truck you can handle several Trailers. You simply leave one or more Trailers to be loaded or unloaded and use the truck to do a full-time job of pulling first one and then another of the Trailers ready to be moved.

Facts To Help You

You can get all the facts by sending for the booklet "Executive Thinking." It's yours upon request.

World's Oldest & Largest Manufacturers of Truck-Trailers
FRUEHAUF TRAILER CO., DETROIT
Sales and Service In Principal Cities



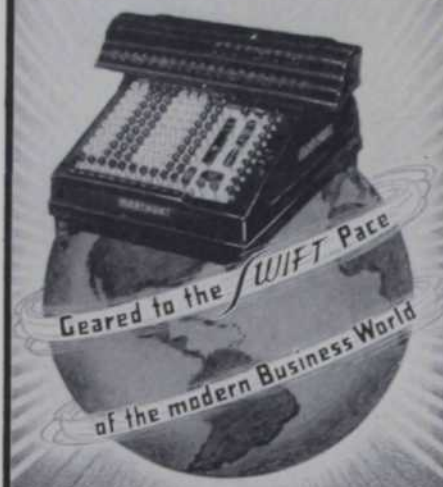
"I'm one of the more than 3,500,000 Americans who earn their living driving motor trucks. Our work contributes to greater prosperity and lower living costs for all."

FRUEHAUF TRAILERS

"Engineered Transportation"
REG. U.S. PAT. OFF.

MORE FRUEHAUF TRAILERS ON THE ROAD THAN ANY OTHER MAKE

MARCHANT SERVICE★



★ ONE RESPONSIBILITY ONE GUARANTEE

*Direct from factory
to every user of
Marchant calculators*

Wherever the user may take his Marchant calculator, it will always be within close touch of a direct factory - owned - and - operated Marchant Service Station.

Company technicians . . . factory trained and supervised . . . insure prompt and competent attention to all Marchant calculators in use in the United States and Canada.

★ Charges . . . and Quality of Service . . . are controlled by the Manufacturer.

A typical Marchant Service Station



MARCHANT CALCULATING MACHINE COMPANY

HOME OFFICE: OAKLAND, CALIFORNIA, U. S. A.

*Sales Agencies and Manufacturer's Service
Stations in all Principal Cities*

29th
year

MARCHANT CALCULATING MACHINE COMPANY
1475 Powell Street
Oakland, California NB-1-40
Without obligation, you may send
data showing many ways MARCHANT
CALCULATORS INCREASE EFFICIENCY
AND REDUCE COSTS IN FIGURING.

Firm _____
Individual _____
Address _____
City _____ State _____

The Achilles Heel of National Defense

(Continued from page 17)

freshman rally on the college campus. The national slogan was "tell with the cost."

Even so the individual who got too cocky was put in his place:

"The carpenters at work on an army cantonment struck for \$15 a day," said an army officer. "The rate was \$12. We just chased 'em off the reservation and told 'em not to come back."

The strike in the Bohn works did not result in an actual hold-up of the national defense program, but the failure of the truck contract seriously interfered with that plan. No truckee, no marchee. There would be enough broken arches to fill the Grand Canyon if a modern army tried to march on our modern concrete roads.

Even if an army could march, it could not make speed. Food, and drink, and shells, and all the other munitions must be carried in trucks. Then rolling kitchens must be rolled behind trucks, with all their pots and pans. Armies still travel on their vest buttons. Then guns and small arms.

Handicapped without equipment

THE Russians in 1915 got along very nicely without guns or small arms, it is true. Nothing happened to them except they were captured or killed.

The Army must have blankets and blister eradicators and delousing salons and electric ears with which to listen for enemy planes and spray guns with which to blast them down if they get too near—

All right. All right. Of course we are not at war. The point is that, if the national defense program means anything at all, it is as a protection against being forced into a war. All of these things mean manufacturing processes. The Industrial Mobilization Plan, to which reference has been made, is regarded as a beautifully complete project. Ten thousand manufacturing organizations would cooperate, each with all the energy and managerial ability it possesses. The theory is that the standing Army, plus the National Guard, will be able to hold any enemy in check that might invade our country while the 10,000 manufactories go to work turning out munitions as and when needed.

In the matter of execution, however, the mobilization plan might be handicapped by thoughtless labor action.

The standing Army and the National Guard—600,000 men in all—are not ready to defend anything. They will not be for another 18 months, even if everything goes absolutely right. It has not the things to fight with. It lacks the guns and the trucks and the rolling kitchens. We have the finest semi-automatic rifle in the world in our Garand, but it is being turned out at the rate of only 50,000 a year. Two and one-half years would pass before the Army could be armed. We could not delouse the general staff alone, not to speak of 600,000 doughboys. The first impulse of

every sound American is to say nasty things about the Army, but the fact is the Army has been starved. For almost 20 years Congress went on the theory that the world had got religion and we would only need enough of an army to march down Pennsylvania Avenue when some foreign thunderbug came to town. Eight years ago the Army's horses averaged 19.1 years old. Under war conditions a 19-year-old horse is just one wheeze ahead of death.

"It isn't so bad now," said a sardonic officer of the Army. "Our horses average only 16 years old and a month or so. You might call 'em colts."

A skeleton army only

DURING the 20 years of famine, the Army was cut down in numbers until it could not function as an Army. Last summer's maneuvers proved that. General Hugh Drum has made that statement repeatedly and with emphasis. To shake it down into army condition again, it has been planned to hold general maneuvers in the Southwest in May and June.

The Army and the guard will have been increased in numbers by that time and the staffs will have an opportunity to work out in the field the problems that for 20 years they have been studying in books.

Unless they have that kind of field practice, the Army would no more be an Army than a baseball team would be a team if its members got all their practice in their own backyards.

But the Army has not today one-third as many trucks as it needs to get to the Southwest, not to speak of getting about a bit when it reaches the practice ground. Under the very best conditions the Army arms with the speed of an hysterical snail. Congress has surrounded the process with all sorts of safeguards. Bids must be advertised for material subject to competition for three months. Then the lowest responsible bidder's bid must be accepted. He may be thoroughly responsible in the eyes of the law and still lack the facilities needed to get his job out on time.

Must take best bid

THE Army can match its financial dealings with those of any large corporation. But in some classes of procurement it is not permitted, no matter how pressing the need, to use its discretion in accepting bids.

"We could let a contract just as quickly as General Motors or Henry Ford," said one officer of rank, "and get just as good figures. But we can't do it. The law won't let us."

The Army advertised its bids for the trucks needed for the present need. Three months' time gone. It could not advertise before it got the money from Congress, of course. The Chrysler corporation was low bidder by \$400,000. But the Chrysler corporation deals with that same U.A.W., of the C.I.O., that the

"Why should I be interested in the way you are paid?"

Q. *Why should I, as a buyer of insurance, care how your company pays you for selling it to me?*

A. Simply for this reason: My company pays me not according to how *much* I sell you, but according to how *well* I sell you.

Q. *What do you mean?*

A. My company now gives me a substantial extra reward if my clients keep their insurance in force. It is so substantial that from now on, the biggest part of my income will depend, not upon how much insurance I sell to you and to my other clients, but upon how successfully this insurance meets your needs.

Q. *How does your company know whether the insurance you sell me really meets my needs?*

A. The true measure of my effectiveness in my job is your continuing satisfaction with the insurance you buy from me. If you keep the insurance in force, my company assumes I have done a good job of selling you and servicing you. For nothing will induce you to keep in force policies which are not properly fitted to your needs.

Q. *What do you mean by "properly fitted"?*

A. Just this: There are two things I must watch. First, I



must not encourage you to become overenthusiastic, and buy insurance which you cannot afford to carry.

Q. *You needn't worry about that with me. But go on. What's the second?*

A. When you were a young married man, you might have bought a policy which does not meet your needs now, when you have a larger family. There are many such changes in men's lives. It is my job to keep track of your needs, to keep the insurance you have bought from me in order. It is important to you that *I* do this for you, for I can make changes in the insurance I have sold you without cost or loss to you.

Q. *Does it cost me more to get this kind of service?*

A. It does not. On the contrary, this new method of paying agents will tend to reduce the cost of life insurance to the public. It will reduce the number of lapsed policies, which represent a loss both to the policyholder and to the company. A lapsed policy usually means a wrongly sold or poorly served policyholder, and my company rewards me in direct proportion to the soundness and intelligence with which I sell you, and serve you.

NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

O. J. ARNOLD, President

STRONG

Minneapolis, Minnesota

LIBERAL





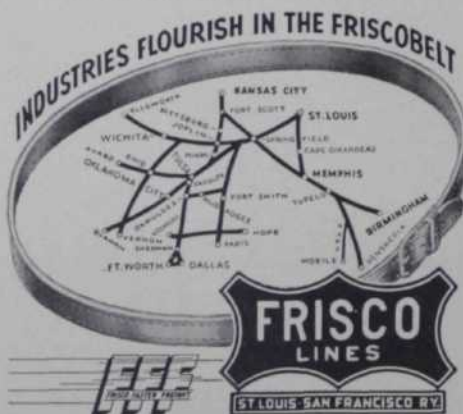
The NATURAL LOCATION for INDUSTRY

In the vast, rich territory served by Frisco First, industrial opportunity is everywhere strikingly apparent. With a basis of low-cost hydroelectric power—abundance of oil, coal and gas—agreeable labor conditions, a large and fast-growing market for industrial equipment of all kinds, and a retail market of 13½ million consumers . . . it is not surprising that nearly two thousand new and varied industries have established plants in the Friscobelt within the past five years.

Industries depending upon agriculture will find, in the Friscobelt, ideal soil and climatic conditions for the production of needful commodities. Facts that may seem stranger than fiction are yours for the asking.

Missouri, Arkansas, Oklahoma, Texas, Kansas, Tennessee, Mississippi, Alabama, Florida are Friscobelt states.

Industrial Department, Frisco Lines
820 Frisco Bldg., St. Louis, Mo.



Bohn Aluminum and Brass Castings Company does. There were hints that the C.I.O. planned to call its men out on strike.

The evidence in the Bohn case shows that the C.I.O. will not give preference to the Government, no matter how pressing may be the Government's need, when it gets into a strike. There is no way by which the men could be compelled to go into the factories and turn out the Government's contracts. No one has suggested that there should be any such provision in law covering industrial operations in time of peace. Employers are just as eager to protect their rights from the encroachments of the Government as are the employees. The Chrysler corporation felt that it must protect itself.

"We will incorporate in our contract a clause providing that, if our production is hampered by labor troubles, we will not be held to it."

That was not acceptable to the Government's legal experts. It might or it might not have been a perfectly sensible and workable idea but it did not fit the rules.

The rules are inflexible because they must cover conditions with no allowance for misfit facts. The Chrysler company was obliged to refuse the contract for which it had been the low bidder because the C.I.O. threatened to go on strike. Since then the C.I.O. has gone on strike.

Until quite recently 50,000 men, more or less, were sitting idle and the buying capacity of the community had been decreased by some \$4,000,000 a day. The Army was compelled to readvertise for bids, with a consequent loss of time.

Delay in contracts

OTHER great companies which could make for the Army the motor equipment it needs took the stand that they must likewise insist on a protective clause in their contracts. The fact that they would be obligated to produce for the Government \$12,000,000 worth of trucks on a day certain would not be overlooked by the C.I.O. It would be equivalent to placing in their hands a weapon against which the contracting company could have no defense. Yet the Army must have the trucks. Otherwise it could not have the motor equipment necessary to move the troops for the May and June maneuvers.

"We passed a miracle," said an optimist. "That's the only way we could get the trucks."

The Fargo company agreed to take the chance that its men would not go out on strike and hold up the Army's truck contract. It did not insist on the clause which freed it from liability if there were labor troubles. It is the writer's understanding that all the legal authorities of the Government to which the matter was submitted held that the company must bid on a pay or play basis.

The matter is now in the hands of the Comptroller General, who has the last word in passing on government contracts. It may be that a way out may be found by which the company may be

saved from loss due to a factor it could not control. It is hoped that the Army will get the trucks.

If organized labor should close down the Fargo plant and prevent the construction of the trucks, there is nothing the Government can do about it—in time to get the trucks for the maneuvers.

The Army has let other contracts, however, in which the possibility of a labor tie-up has been disregarded, to the sum of about \$110,000,000. In the next fiscal year, that total will rise to \$700,000,000. If there is anything like a possibility that we may be forced into war, the total will almost automatically rise to \$1,400,000,000. The figures for naval procurement run about the same. The Navy is in a somewhat better position than the Army, however, because Congress has always recognized that the Navy is not only the first line of defense but that the line must be kept in a defensible position. The Navy has its needs, of course. Its powder magazines have been swept almost bare and the old ships need a thorough reconditioning, but at least Navy has not been forced to start from scratch, as has the Army.

The Navy could go into battle tomorrow and give a good account of itself. The Army would have to ask for an 18 months' recess so it could get ready to fight. No one thinks that this country will get into a war or that, if we did, any invader would be foolhardy enough to land on our shores.

Still, there is the fact. In 18 months the Army could go to war!

Workers should know

NO ONE in any position of responsibility has suggested that labor is not wholly loyal. No politician has entered into this equation. Any politician would hesitate to say that labor would knowingly do anything to injure the national defense program.

But the persons of whom inquiry was made are wholly indifferent to and apart from professional politics. In general they observe that, if the national defense policy is to be seriously impaired through labor's failure to cooperate—and the international situation were to become more threatening—only three courses would be open.

One would be to give labor everything it can think of to ask for.

"That would be bribery and blackmail."

The second would be to use force and compel labor to do the jobs essential to the country's safety.

"That would be repugnant to all our ideals and a dangerous departure from our form of government. No one could say how far we would go if we ever started along that road."

The third way is to place the facts fully before organized labor.

"Our labor is loyal. Some way can be found by which every interest of labor can be protected and yet the program vital to American safety can be worked out. There is good will on both sides. There is only a failure to know the facts."

This article is an attempt to tell something of the story.

How Low Debt Cities Get That Way

(Continued from page 24)
age tax-supported city-school bonded debt of \$108 *per capita* for cities in this group, the Seattle debt is only \$57 *per capita*. This does not include a large municipal utility debt which is being paid from the earnings of the various municipal business enterprises.

The northwestern metropolis apparently has achieved its favorable debt status, not by any long-time plan like Milwaukee, but largely because of rigid debt and tax limitations imposed by the state legislature.

A law makes for low debts

IN THIS respect, Seattle's civic virtue in having a low debt is like that of the small boy who has avoided a stomach ache only because mamma has hidden the candy. But legislation protecting citizens from a high debt is one way to achieve the desired result.

Assistant School Superintendent Clyde G. Campbell explains that the statutory requirement that bonds issued since 1933 must come out of the same tax limit as operating costs, naturally has discouraged additional borrowings which would necessitate cutting current operating activities. He says that the school system needs physical betterments but that a direct property tax levy for this has been voted recently. The required approval of three-fifths of the voters makes such levies hard to obtain but it is better than issuing bonds.

Seattle's municipal government is in a much better position to obtain capital improvements without having to issue tax-supported bonds, according to Mayor Arthur B. Langlie. He explains that revenues from the municipal utilities, local improvement district assessments, a sizable share of the gasoline tax and current property taxes, have enabled the city to obtain capital improvements with federal aid, as work relief projects, without having to issue property tax bonds. Thus the annual reduction in the outstanding bonded indebtedness without issuing new bonds has reduced Seattle's debt.

Another Washington city, Spokane, has the lowest *per capita* city-school tax-supported bonded debt for cities in the 100,000 to 300,000 group. Against an \$84 *per capita* average for all cities in this class, the Spokane city-school bonded debt is only \$26.

City Engineer Alfred D. Butler also testifies as to the effect of the state laws in holding down the bonded debt. Engineer Butler says:

The state law limits the amount of bonded indebtedness a city may incur without a vote of the people. Due to this and a pay-as-you-go sentiment among our citizens, few bonds have been voted at general elections.

Among cities from 100,000 to 300,000 population, the extremely low school debt of Worcester, Mass., population

...KISS the stamps Good-bye

(... with apologies to Clare Boothe)



... and please the men in your life!



The smart business girl no longer menaces tender tongue and luscious lips by sticking stamps! ... Sticking is slow—and isn't sanitary! ... A little red Postage Meter will take stamp-sticking, stamps, and envelope sealing out of her business life forever ... The postage is in the Meter, loss proof, theft proof, borrow proof ... and is *printed* on the envelopes; or on tape for parcel post—any amount of postage needed ... The Meter even keeps its own records on postage and mailing—accounts for every postage penny ... The letters look neater, and move faster in the postoffice!

Then *the office boy* doesn't have to gallop out for stamps so often ... the *bookkeeper* doesn't fuss about the postage account ... the *office manager* stops worrying about postage expense ... the *postal worker* doesn't have to face, postmark or cancel Metered mail ... the *boss* is pleased with the postage saving and efficiency ... and the *boy friend* doesn't have to wait on date nights!

If your office doesn't have a Pitney-Bowes Postage Meter, start your campaign now ... ask our nearest office for a demonstration in your office on your mail ... and kiss the stamps goodbye!

Branches in principal cities. Consult your telephone directory. IN CANADA: The Canadian Postage Meters & Machine Co., Ltd.





The Postage Meter Co.

1302 Pacific Street
Stamford, Conn.

195,000, is also worthy of comment. Present taxpayers of this New England town have a few far-sighted civic leaders of 25 years ago to thank for this condition. The present outstanding school bonds total only \$120,000 as compared to school debts of upwards of \$6,000,000 in many cities of this group. It will be entirely paid off in 1940 and should be the occasion of no mean celebration by the taxpayers.

John Mahoney, secretary of the Worcester Taxpayers' Association, says this low debt is due to a law applying only to this city, passed by the legislature 25 years ago, which restricted the bonding powers to only a few public projects—in the case of schools, only to senior high schools. Several years ago it was amended to include junior high schools. Consequently, many new elementary and one large junior high school in recent years have been built and paid for from current tax levies.

Saginaw, Mich., population 80,000, holds the blue ribbon not only for the lowest city-school bonded debt for cities between 50,000 and 100,000 population, but for all places with more than 50,000 population. Its *per capita* city-school debt is \$12, as compared to an average of \$85 for cities of its population group.

Restrictions on bond issues

A CONSERVATIVE citizenry and a property tax limitation, which compels a vote of the people for certain types of city bonds, contributes to this low debt

record, says City Manager L. P. Cookingham, who goes on to explain:

Saginaw has not always enjoyed a low debt record for, in the 'twenties, the city government issued many bonds and on June 30, 1930, the city's debt alone was \$7,593,000. This increasing debt resulted in increasing tax rates. Thereupon the taxpayers elected to office representatives who might have been classed as "debt conscious." As a result, no city bonds except a nominal amount for special improvements and refunding issues, have been issued since Aug. 1, 1929. The school officials have an even better record in that no school bonds, excepting two refunding issues, have been issued since Feb. 1, 1922.

Yet Saginaw has obtained the necessary public improvements without borrowing, though in some cases with P.W.A. aid. Among these betterments have been a new city hall, a district and central fire station, street widening and repaving and an addition to the municipal garage. A new Saginaw River bridge is in contemplation. The school board has made additions to several elementary buildings and is constructing a new \$1,500,000 high school with P.W.A. help.

We now take pleasure in introducing Lansing, Mich., population 78,000, which has the real distinction and genuine honor of being the only American city of more than 50,000 population—again except Washington, D. C.—which has no school debt but has a first-class school plant. Also it has a comparatively low school property tax rate. A pause with doffed hats to salute Lansing.

As a result, Lansing's school income is entirely free from "dead horse" charges or interest on old bonds. This didn't just happen. It resulted from a plan, started in 1905, which any city can imitate with the same results.

J. W. Sexton, school superintendent, whom many people credit with much of its success, explains it as follows:

About 25 years ago, Lansing paid off its bonded indebtedness on a central high school which had been built many years before. It was discovered that more interest had been paid on the bond issue than the principal amounted to. Thereupon, the then school board decided to follow a pay-as-you-go policy to provide new buildings. Since then, all school buildings, including a \$1,000,000 high school, have been financed by direct tax levy. For several years before the erection of a new building, an additional tax levy is accumulated to pay for it.

Kalamazoo, Mich., population 55,000, is another city like Milwaukee, which deliberately planned many years ago to free itself from its city bonded debt. But Kalamazoo has reached its goal.

In the city manager's office is a glass tube containing the ashes of the last city bond paid off in 1937.

It has not only paid off its general city bonds but all of its municipal utility bonds leaving only a comparatively small school debt. Its taxpayers also enjoy—and "enjoy" is the word—a low tax rate of \$24 per \$1,000 assessed value, which is only 60 per cent of the market value.

Here is how Mayor A. L. Blakeslee describes the fortunate debt position of the city:

Since 1918 Kalamazoo has followed a pay-as-you-go policy. The last outstanding city bonds were paid off in 1937.

For the past 20 years the city has issued no bonds except a small issue for poor relief in 1932 which was paid off five years later.

All funds for permanent municipal improvements, including the sponsor's share of W.P.A. and P.W.A. projects, have been raised by direct taxation or from sources other than by borrowing. At first this policy pushed up the tax rates a little but the present low city tax rate attests that this city can provide all the necessary improvements from direct tax levy and still have a low tax rate.

Danville, Ill., population 36,000, has the lowest *per capita* city-school tax-supported bonded debt of all cities from 30,000 to 7,000,000 population in this country (except Washington, D.C.) for which statistics are available. This record certainly is worthy of a flag over the city hall.

Its debt is only \$10 *per capita* as compared to a \$65 average for cities in the 30,000 to 50,000 population group. It has both a low city and school debt.

"The reason that Danville has a low city and school bonded debt," says David J. Twomey, secretary of the Danville Chamber of Commerce, "is that our citizens have always been tax conscious and have always been vigilant in this respect."

Other cities which do not yet appear in the low debt group have taken steps



RIGHT IN YOUR OWN OFFICE

Free!

**ADVISORY SERVICE
on FORMS and
BUSINESS SYSTEMS**

Pick up your phone—call the Egly sales agent, or wire Dayton. Posthaste you'll find an Egly Form Specialist in your own office to give you the benefit of Egly's 47 years of service and the experience of Egly sales agents in solving form problems every day. Not one penny will it cost—nothing but your time! In return you'll receive genuinely helpful service—the kind of suggestions that have shown thousands of businesses how to save money. No obligation. Send your name today. It's a forward step to money saving through writing all forms the proved Egly economy-way.

EGRY SPEED-FEED. For less than 2c per day for only one year, the Speed-Feed gives you a billing machine, doing the work of a several hundred dollar installation. Uses Egly Continuous Forms. Cuts out costly one-time carbons, loose forms and carbons, and other wasteful methods. Automatically interleaves and removes carbons. Speeds up output per operator 50% and more. No change required in typewriter construction and operation. Demonstrations arranged without cost. Get the facts at once! Address Dept. NB 140.



The EGRY REGISTER Company, Dayton, Ohio

SALES AGENCIES IN ALL PRINCIPAL CITIES

to cut their bonded debts and swing to a pay-as-you-go basis for financing permanent improvements.

Finance Commissioner Dean Van Ness of Topeka, Kans., 64,000 population, outlines an easily imitated plan which Topekans probably would largely credit to Mr. Van Ness.

Debts are steadily decreased

A FEW years ago, the state legislature authorized the city to make a special annual levy for capital outlays. In subsequent years, as the bonded debt dropped, the city levied, when necessary, direct taxes for the required current improvements but in an amount not in excess of the drop in the debt.

In spite of the issuance of a few bonds, the Topeka city debt has dropped steadily in the past ten years while, in the past five years, a \$7,000,000 construction program has been carried on.

That Mr. Van Ness' plan of debt reduction is working is seen in the fact that Topeka only has a bonded city debt of \$839,000 as compared to debts of from \$1,000,000 to \$6,000,000 for most cities of its size.

Utica, N. Y., population 101,000, has taken a definite step toward cutting its debt by writing into its charter a requirement that no city council can issue bonds exceeding 75 per cent of the bonds retired that year. Mayor Vincent R. Carrou calls this plan paying back more than you borrow.

Mayor Carrou further points out that, since 1936, the city will have reduced its debt by \$1,662,000 bringing the \$10,000,000 debt to its lowest point in ten years. This contrasts with 1936 when half of the property tax dollar was going to pay interest and principal on bonds.

Under a recent law, Oregon municipalities may lay up tax reserves to finance new public improvements. In 1937, California passed a law permitting municipalities to set aside funds for capital improvements in advance of their purchase or construction. The voters must approve such special levies for a limited number of years. Hartford, Conn., and Lincoln, Neb., in addition to Topeka, Kans., have been authorized by their legislatures to adopt the reserve fund plan for financing public improvements.

In conclusion, it is apparent that, in all of these cities which have reduced their bonded debts, whether by a super-sinking fund as in Milwaukee, by rigid state law restricting borrowing as in the state of Washington cities, by a long-time plan of cutting the public debt, as in Kalamazoo and Lansing, or by any other way, there were certain forceful personalities on the city council or school board who put these various plans into successful operation.

The inference is obvious. To debt-ridden cities, relief can be brought as magically as by rubbing an Aladdin lamp. Let the voters simply rub their ballots the right way with their pencils and, presto—genii in the form of sensible, intelligent citizens will appear in the city council or school board and make plans to cut the city or school debt in a reasonable number of years.

It really is that easy.

GOOD BUSINESS NEWS

Open Account Financing Scores Double Success

Slow-pay Customer Takes Tip
From Creditor--Business
and Credit Now A1

TO put reverse English on the old proverb, "one man's meat can be nourishing diet for the other fellow, too."

The Brown Corporation* was a regular user of our service.

It gave their company money-power far in excess of what its regular connections had provided. Brown had been selling considerable merchandise to Black & Company,* getting cash advances on shipment from us and clearing them off the slate as Black's checks came in. But gradually, Black began taking longer time to pay.

Since he had long been a good customer of Brown's, we frequently permitted an extension of time, but advised a frank talk to see where things were heading. They quickly found the reason. His regular bank credit wasn't enough to finance the volume of sales Black needed. His working capital was continually frozen in receivables. First he had to pass up discounts on his payables. Next, he was passing due dates.

Brown explained our service . . . told how it was helping him. He urged Black to consult us. We were called in. We negotiated an arrangement, effective immediately . . . without red tape or delay.

Then Black's business curve started up again. In little more than a year, Dun had improved his credit rating to A1. By the end of 1938, his net worth was nearly \$200,000 greater, a healthy increase of nearly 30%.

★ ★ ★ ★

Which would be better for your business—a borrowing capacity set by routine consideration of your capital investment and an audit of your present condition? Or, a flexible financing system that looks ahead and provides liquid cash for financing new sales as fast as you can make them? Write "Dept. NB" for our free booklet "CAPITAL AT WORK".

**A fictitious name, but the facts and figures, taken from our records, can be certified.*

COMMERCIAL CREDIT COMPANY

"Non-Notification" Open Account Financing

BALTIMORE

BOSTON NEW YORK CHICAGO SAN FRANCISCO PORTLAND, ORE.

CAPITAL AND SURPLUS MORE THAN \$65,000,000

Freight Rates with a Southern Accent

(Continued from page 27)

Fourth Section at all points. Since such adjustments were worked out in the general revisions of the class rates within and between the various sections, there was a strong tendency, in making commodity rate adjustments thereafter, to express the new rates as percentages of the first-class rates, and thereby to insure that they, too, would comply with the Fourth Section.

Natural and necessary as such a tendency is, it has had the effect in many cases of increasing the difficulty of making the adjustments of commodity rates necessary for a free flow of competitive traffic between North and South.

Emphasis on class rates

COMPETING interests in the North have used the difference in class rates as a point in opposition to rate parities from the South, as was to be expected, while even the Commission has given undue weight to these class rate differences in its consideration of commodity adjustments, we feel.

But the way to cure the situation is not to insist, as some in the South have done, that the southern class rates be made the same as the eastern, forthwith, or that there be a uniform national rate structure, with the same rates, mile for mile, on any article in every part of the country.

The Interstate Commerce Commission has frequently pointed out that the dif-

ference between class rate levels, South and North, "is one of the reasons why the South is able to enjoy a relatively low level of commodity rates" and that an attempt to harmonize the two class rate structures might involve "a possible readjustment of the entire fabric of the rate structures of the two territories which might be very demoralizing in its effects upon commerce and industry generally, particularly in the South." To put southern class rates on the eastern basis would more than wipe out every dollar of railroad income and force an attempt to raise other rates.

Many southern commodity rates, and those among the most important, it should be remembered, are lower than the corresponding eastern rates. Mile-for-mile equality, therefore, if that should become the principle on which all freight rates are to be made, would require increases in many existing southern commodity rates on such articles as coal, fertilizer, lime, lumber, logs and pulpwood, pig iron, iron ore, manufactured tobacco, citrus fruits, vegetables, cotton, naval stores and many other items.

The suggestion of the Commission that this might be "very demoralizing" is a gem of understatement.

Traffic in the South is different from that in the East. It is made up of different articles, in different proportions, moving over different distances, and in different volume and density. Furthermore, in the movement of these dif-

ferent sorts of traffic, south and north, the class rate and commodity rate structures perform quite different functions. Part of our recent difficulties, in fact, grow out of the tendency, because of the long-and-short-haul principle, to relate commodity rates to the unlike class rate structure.

The remedy for discrimination against the South is to be found in recognizing these differences, and recognizing that each of the different sorts of rates has a different job to do.

Rates are considered separately

THERE is a normal procedure for doing these things. For example, a few years ago, the producers of coke in the South convinced the southern railroads that, for coke to move freely from southern ovens to northern consumers, it must have the same rates, mile for mile, as in the North. The northern roads did not agree. In proceedings before the Interstate Commerce Commission, and later before the courts, the southern interests were able to get their rates established.

In their complaint before the Interstate Commerce Commission, to take another example, the southern governors listed 14 commodities for which they sought lower rates. The southern railroads appeared at the hearings to say that they stood ready and willing to establish such rates on any of those commodities wherever it was shown that present rates retarded the flow of traffic to the North and East. Representatives of certain northern and eastern states objected, on the ground that, even under present rates, they could not successfully compete with the South and were losing their industries.

Charges based on merits

TO that sort of process of investigation and determination, which takes up each situation on its merits, there can be no objection. That is the way in which our rate structures have been developed and adjusted to the actual needs of commerce.

It has produced, in the main, a flexible natural commerce, rather than the restricted local trade which a more rigid rate system would have fostered. From this national commerce both producer and consumer have profited.

The attempt now to put all rate structures, East, South and West, into one mold, on a level of uniformity, would be nothing less than disastrous, particularly to the producers and the railroads of the West and South, the sections more distant from the great mass of consumers.

But, if rates are to be made under the pressure of political agitation, such a state of affairs is the natural end. With the whole country to consider, the Interstate Commerce Commission already finds itself more and more measuring

A threat to property rights



O. J. Arnold, President
Northwestern National Life
Insurance Company

"In the very right of every citizen to vote, there rests a threat to democracy itself. For in a democracy, if men of no personal security at any time outnumber the men of property and a degree of security—then inevitably the right to property will be threatened and with it all the liberties and freedom of every citizen."



GREAT AMERICAN INSURANCE COMPANY

AMERICAN ALLIANCE INSURANCE CO. GREAT AMERICAN INDEMNITY CO.
 MASSACHUSETTS FIRE & MARINE INS. CO. DETROIT FIRE & MARINE INS. CO.
 THE AMERICAN NATIONAL FIRE INS. CO. THE NORTH CAROLINA HOME INS. CO.
 COUNTY FIRE INS. COMPANY OF PHILA. ROCHESTER AMERICAN INSURANCE CO.

{ The Great American Group of Insurance Companies issues practically all lines of insurance except life at rates and under forms that are fair to the policyholder and to the issuing company. }

DIRECTORS, GREAT AMERICAN INSURANCE COMPANY

DANIEL R. ACKERMAN. New York City Vice-President and Secretary, Great American Insurance Company	JOHN H. HILLMAN, JR. Pittsburgh Chairman of the Board, Hillman Coal & Coke Co.	JESSE S. PHILLIPS. New York City Vice-President, Great American Insurance Company. Formerly Superintendent of Insurance of New York
EARL D. BABST. New York City Chairman of the Board, American Sugar Refining Company	EUSTIS L. HOPKINS. New York City Chairman of the Board, Bliss, Fabyan & Co., Cotton Goods Commission Merchants	HOWARD C. SMITH. New York City Estate Trustee
H. DONALD CAMPBELL. New York City President, Chase National Bank of New York	PERCY H. JOHNSTON. New York City Chairman of the Board, Chemical Bank & Trust Co.	PHILIP STOCKTON. Boston Chairman of Executive Committee, The First National Bank of Boston
ARTHUR O. CHOATE. New York City Clark, Dodge & Co.	SAMUEL MCROBERTS. New York City	ROY B. WHITE. New York City President, Western Union Telegraph Company
JOHN M. DAVIS. New York City President, Delaware, Lackawanna & Western Railroad Co.	ALEXANDER R. PHILLIPS, New York City Vice-President, Great American Insurance Company	GARRARD B. WINSTON. New York City Shearman & Sterling, Attorneys
LOUIS W. DOMMERICH. New York City L. F. Dommerich & Co., Commission Merchants	WILLIAM H. KOOP. New York City President, Great American Insurance Company and Affiliated Companies	



Is Your Business *wearing* Last Year's Hat?

The next time your wife picks up her favorite women's magazine watch her response to its advertising pages. In a half hour she knows what's new about hats, window draperies, perfumes, kitchens, cars and vacations.

You'll find the same thing happening when she reads the daily or the Sunday paper. She may be vague about the location of the Maginot line, the percentage of steel production or your reasons for cussing the Labor Relations Act, but of one thing she is certain—she can get by with last year's opinions but never with last year's hat.

Sometimes her husband does things differently—but maybe not much, if any, better. He doesn't want to be caught napping on the last Gallup Poll or on an important decision by the Wages and Hours Administrator. But he is apt to be a little lordly about leaving his business purchases to the purchasing department.

The editorial pages of *Nation's Business* tell you what you need to know to plan your business policy ahead.

The advertising pages tell you what you need to know about new services and products for business housekeeping. They offer practical suggestions to do things more quickly and more economically.

Like you—340,000 other business men are going through *Nation's Business* this month. They are checking what they know against what they ought to know.

NATION'S BUSINESS

going to 340,000 men—the largest group of business buyers in America



rates by miles instead of by the needs of commerce. Constant stressing of distance, as the one thing that counts in making freight rates, may well increase the natural tendency to rely on mileage scales in the making not only of class

rates but of commodity rates as well. The result of that sort of rate-making would be unexpectedly painful to those heavy producing sections which are out on the far end of the longer mileage scales—the West and the South.

I.C.C. Chairman Views Freight Rates

SINCE this article was written, the Interstate Commerce Commission has handed down its decision in the so-called southern Governors' case. By a five to four vote (two Commissioners not participating in the decision) the Commission ordered a reduction in rates on some of the 14 commodities included in the complaint, but declined to order a reduction in others. Readers will find it interesting to compare the following paragraphs from the dissenting opinion by Chairman Eastman with the views expressed by Mr. Widell:

"Competitive, physical, and traffic conditions differed widely in the various parts of the country, with the natural consequence that there were innumerable variations in the freight rates. Forms of traffic which were of great importance and moved in volume in one part of the country were of much lesser consequence in another. Economic conditions impelled special consideration of a particular kind of traffic in one section and not in another. Traffic densities and earning powers varied greatly. The impact of water competition was variously felt. These are only illustrations of the many differences in conditions which were reflected in the millions of freight rates on thousands of commodities.

"Of course freight rates so developed over the better part of a century did not produce, nationally, a simple, symmetrical, and uniform structure, but one full of a myriad of variations and apparent inconsistencies. Many of these, when the Commission came to consider the rates from the standpoint of the general public interest, could not be satisfactorily defended, and an examination of its record will show that the Commission has been continually engaged in the correction of such conditions ever since it gained effective power over the rates. Certain things should be borne in mind in this connection, however. One is that, in changing a structure evolved in the manner indicated over a period of many years, consideration must be given to the effect upon general commercial and industrial conditions and upon carrier earnings. Another is that by no means all of the apparent inconsistencies are indefensible; there are sound reasons for many of them. Still another is that the conditions affecting railroad freight rates are not static, but continually change, a striking illustration being the new and great competition from motor trucks. There is much which can and should be done to improve the rate structure, and the Commission will never lack for opportunities. On the other hand the need for adjustments and variations to meet differing conditions will always exist.

"Much of the outcry against supposed rate discrimination to the injury of the South is based upon the difference in level between the southern and eastern class rates. . . ."



Come What May

LIFE INSURANCE

Faces the World with Full Confidence

and the satisfaction of knowing that no matter what may come in the way of misfortune to the heads of families, it will be able to serve them or their beneficiaries fully and reliably, as it has done for over a hundred years.

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

Springfield, Massachusetts

Organized 1851

Assets, December 31, 1938	\$647,746,901
Liabilities	626,809,000
Surplus to the Assured	20,937,901
(In addition thereto, Contingency Funds which are not included in the surplus)	6,500,000)

The following PAMPHLETS

published in connection with our "What Helps Business Helps You" program, may be obtained without charge, singly or in quantity lots:

- No. 7 What Did a Chamber of Commerce Ever Do for Me?
- No. 8 Business—Taking the Blame
- No. 9 Business—On the Firing Line
- No. 11 Business—On the Watch
- No. 14 Business—As Planned.

NATION'S BUSINESS
Washington, D. C.

OPPORTUNITIES ...

★ TO any industrialist contemplating decentralizing of present manufacturing facilities or to one considering the opening of a new plant, the City of Charlevoix invites their consideration of the unrivaled facilities that this community offers for economic production and distribution.

Your inquiry will bring an important analysis of the advantages this City offers and will be treated in strict confidence.

**CITY OF CHARLEVOIX,
Charlevoix, Michigan**

D. F. Herrick, City Superintendent

It will pay you to investigate Pensacola's opportunities for industry and commerce. Pensacola invites industry and it has what industry needs. For special information write B. D. Langford, Manager, Municipal Advertising Board—

**Pensacola has
what Industry
needs—**



PENSACOLA FLORIDA
on the Gulf—

Doorway
to St. Louis
Hospitality

Hotel **Mayfair**

DOWNTOWN ST. LOUIS AT YOUR DOORSTEP

All rooms with bath
radio reception

Are Auditors Hard of Hearing?

(Continued from page 32)

between various schools of accounting thought. Thus, given the same set of facts and figures, two leading firms of accountants were some \$2,700,000 apart in their opinions as to what Fox Film Corporation earned in one year. It made a difference of \$1.12 a share in the apparent earnings. Seventy cents a share of the difference was in the amount charged for amortization of production costs and theater depreciation. Forty-two cents a share represented a difference of opinion as to how much should be set up to provide for possible losses on investments in subsidiary companies.

Detailed audits are costly

THEORETICALLY it is possible for auditors to verify the more tangible items in a statement and to make absolutely certain that all recorded transactions are *bona fide*. But that would involve counting every bit of material in the warehouses, verifying every customer's account and tracing every transaction through all the records. One auditor testified before the Securities and Exchange Commission:

A detailed audit of a small company can be made in from ten days to three weeks. To make a detailed audit of a big company, it would be necessary to keep a raft of auditors in the office the year round, practically keeping the company's books. Furthermore, a company could not keep on doing business if auditors were constantly holding up the routine by checking books and records that are needed for recording current transactions.

While complete, detailed audits are often made for small concerns, they are practically never made for large and complex ones except when something goes seriously wrong. They would be prohibitively expensive. To give an idea: The formal routine audits of McKesson & Robbins cost on the average about \$80,000 each. The searching, but still not detailed, audit which has recently been made for the trustee cost something like \$300,000.

Audits sufficiently detailed to detect with certainty collusive fraud would cost much more, and probably would not be justified as regular procedure. It is necessary to balance the cost of protection against the probable loss.

Auditors maintain that ordinary, so-called "balance sheet audits" will catch all important irregularities except well organized collusion.

These audits consist largely of various samplings, tests and checks. Their value depends upon what are known as "internal checks and controls." That means that the office routine should be so designed that financial activities are completely segregated. For example, the executive who authorizes payments and the cashier who makes out the checks must not have access to the books, and the clerk who makes up the pay roll

should not be permitted to pay off the help.

In this way one employee is a check upon another and stealing is impossible without collusion. Auditors are expected to satisfy themselves that these internal checks and controls are adequate and, if they are not, to make a more complete examination.

To the general public one of the most astounding revelations of the McKesson & Robbins case was that \$10,575,000 worth of the reported crude drug inventory simply did not exist.

Drugs are tangible. They can be counted, weighed or measured and analyzed. Why, then, was not an inventory taken as a routine part of every annual audit?

Here is the answer: The actual, existent McKesson & Robbins inventories were scattered among 201 locations in the United States and Hawaii, and one each in Norway and England. There were also small stocks in Japan and Canada.

The inventories in the United States and Hawaii alone were recorded in 4,042 inventory books of 70,806 pages. There were about 2,000,000 priced items in those books.

The trustee of McKesson & Robbins had outside engineers supervise the taking of this inventory and examine and test check the identity, quantity, quality and pricing.

The items counted by the engineers as a check on the accuracy of the company's employees who took the actual inventory, covered about 40 per cent of the total inventory value. To test for the identity and quality of the various items, chemical analyses were made of one sample for each \$50,000 of drug inventory and for each \$85,000 of liquor. Items that were test checked for price made up about 20 per cent of the total inventory value, and those test checked for arithmetical accuracy, about 35 per cent.

This cost about \$100,000. Make your own guess what it would have cost to take a complete, detailed inventory. And remember that many companies have larger, more diversified and more widely scattered inventories than that one.

L. H. Olson, vice president of the American Appraisal Company, an important part of whose business is taking inventories, says:

One hundred per cent validation of any sizable inventory down to a sworn statement of the contents and quality of the last ten cent container is impracticable, prohibitive in cost and more than a little absurd. But, by supervising the inventory taking and making proper test counts and checks, appraisers can make certain at reasonable cost that an inventory is substantially correct.

On that basis, a few leading auditing firms have always been willing to take complete responsibility, not merely for the "fairness" but for the *correctness* of an inventory. A large part of the profession, however, has preferred to sidestep

all responsibility for inventories. In 1934 the New York State Society of Certified Public Accountants adopted a resolution which said:

The training and experience of a certified public accountant do not qualify him as a general appraiser or valuer or fit him to assume in any or all cases full responsibility for the physical quantities, description, quality, condition, marketability and valuation of merchandise inventories.

That is hard to understand. Certainly any auditor can count. If he is unable to identify and value such technical materials as drugs, jewels, hides, or liquor, he could call in expert appraisers to do it for him.

Checking the accounts only

BUT the resolution continues:

If a certified public accountant reports on a balance sheet of a concern over his signature without qualification or special explanation as to the items of merchandise inventories contained therein, it shall imply that he has exercised care in his examination by making accounting tests and checks of the concern's books of account and other available records pertaining to merchandise inventories; that he has received all information and explanations he has required from the officers and employees responsible for the taking and valuation of the merchandise inventories; and, so far as accounting methods permit, has satisfied himself as to their substantial correctness; *but that as regards the information and explanations he has required and as to ownership, physical quantities, description, quality, condition, marketability and valuation of the merchandise, he has relied upon the representations of the concern's management, subject to such checks as may have been obtainable from the records in respect thereto; and be it*

Further resolved: That it is the sense of this society that, while the certified public accountant, through his experience in various lines of industry, may be of value in assisting and cooperating with the management of a concern in the supervision of a physical inventory taking, it should be clearly understood that, in undertaking this work, the certified public accountant does so *only in his capacity as an accountant and does not assume responsibility as an appraiser or valuer for the physical quantities, description, quality, condition, marketability and valuation of the merchandise.*

That is to say, the Society felt that its members could properly make certain that a client's clerks were good at arithmetic and kept convincing looking records—but that they could only take the client's word that the inventories existed at all.

Most accountants eagerly subscribed to that dictum and obeyed it. Some, however, disagreed. For example, C. Oliver Wellington, senior partner of Scovell, Wellington & Company, and an active member of the Institute, has always felt that it is the accountant's duty to accept responsibility for inventories. Until lately he has had few followers among accountants, but bankers and credit men have given him their blessing.

Back in 1927 he said to a group of bankers:

The inventory of the average manufacturing or trading concern represents

Dept. of Commerce, Pa.
There is a huge inventory in stock.

Business Opportunities

PENNSYLVANIA'S 10,176,000 stockholders invite you to share with them the many advantages that Pennsylvania offers—a State government helpful to industry and to the worker; rich resources in raw materials, skilled labor, low-cost fuel, power; unexcelled transportation. Gateway to major markets. Favorable industrial sites available. Write Dept. of Commerce, Harrisburg, Pa.

FURNITURE—Selling of outstanding value

at a reliable price

COAL at a very low price

CAR at a low price

TALK TO ANY PENNSYLVANIAN and you sense the new day in the Keystone State.

Once more business has the green light. Private enterprise is out of the "dog-house." And this significant change is interesting industry's executives everywhere—and should interest you.

A stable, balanced State with leadership in many fields of industry and with more than 2,000,000 workers employed, Pennsylvania offers incoming industries an unmatched combination of resources and advantages.

In addition, Pennsylvania offers you a government friendly to business, intent on economy in government, and a "new business" department willing and with authority to help you locate a factory, warehouse, branch office or store in this Commonwealth.

If you are seeking a real Business Opportunity . . . get the facts about Pennsylvania and what has happened to make her of greater interest to industry—and to you.

FOR EXECUTIVES:

Write today for your free copy of "Pennsylvania—Its Many Industrial Advantages." Address: Department of Commerce, Harrisburg, Pa.



PENNSYLVANIA

MEANS BUSINESS

ARTHUR H. JAMES
Governor



RICHARD P. BROWN
Secretary of Commerce

THE AIR CONDITIONING EXPOSITION



**SIXTH
INTERNATIONAL HEATING &
VENTILATING EXPOSITION**
LAKESIDE HALL
CLEVELAND · OHIO
January 22-26 · 1940

Auspices American Society of Heating and Ventilating Engineers

Every business must reckon with the various phases of Air Conditioning. It affects living and working conditions, sales and production.

To fully realize the advantages offered, you should personally see the hundreds of new products that will be demonstrated at this great exposition. You are cordially invited.

Management, International Exposition Co.

Graffco

SUPERIOR

MAPTACKS



An efficient means of controlling and directing effort. With maps or charts they record and visualize vital data on sales, production, distribution, or collections. Uniform unbreakable heads; needle points. A thousand combinations of colors, symbols, etc.

At your stationer's, or write

GEORGE B. GRAFF COMPANY
80 Washburn Ave. Cambridge, Mass.

when the
NATION'S BUSINESSMEN
go to Washington

RATES FROM \$5

THE **Carlton**

16TH & K STREET · WASHINGTON, D.C.

more than half of the total current assets. Any attempt to make the company's financial showing more favorable than it really is can more readily be concealed in the inventory than in any other current asset. It is hard to inflate the cash; it can usually be proved without difficulty whether the accounts and notes receivable were set up in the regular course of business and can reasonably be expected to be liquidated also in the regular course of business; but the determination of the fair value of the inventory is not so easy.

Is that, however, a good reason for accepting this item without verification? If no verification is to be made of the inventory, which is more than half of the total current assets, of what value for credit purposes is the auditor's certificate?

Wellington feels, that, if the auditor supervises the client's inventory taking and makes proper tests and checks, including test counts of a sufficient number of items, he can properly and safely take responsibility for its correctness.

Wellington has never believed that purely accounting tests and checks—such as the Society advocated in 1934—are adequate. A dozen years ago he said:

Of what use is it for the auditor's assistants to catch errors of \$2,543.86 in extensions and footings, when the total inventory may be millions of dollars over or under, owing to the use of incorrect quantities?

In one case several years ago goods in process were carried at \$1,207,290, but an actual count later by auditors showed a correct inventory of only \$234,542. The inventory reports from mills had been raised at the general offices. In another case an inventory carried at \$2,400,000 was found to be overstated by \$1,100,000, the auditors having accepted some neatly typewritten sheets and made some mathematical tests. In short, they were merely "footing and carrying one," when they should have been satisfying themselves on the actual values.

Looking at inventory

SO great was the clamor over the non-existent McKesson & Robbins crude drug inventory that the accounting profession has come to Wellington's way of thinking and has officially decided that auditors will have to do something about inventories. In the spring of 1939 the American Institute and the New York State Society issued a pronouncement that "corroboration of inventory quantities by physical checks should be accepted as normal audit procedure."

However, the degree of responsibility that the auditor will take seems to be vaguely limited by the statement:

The training and experience of an independent certified public accountant do not qualify him as a general appraiser, valuer, or expert in materials.

The public should understand that, while he can take steps to warrant the expression of his opinion as an accountant that stated quantities of merchandise are actually on hand, such procedure does not invest his opinion with a degree of authority which he does not claim for it, or impose upon him a measure of responsibility which the nature of his work does not justify.

But the mere fact that auditors are now going to do something about verifying

the existence of inventories will make financial statements more trustworthy, and large-scale fraud less easy.

Another asset which is seldom completely substantiated by an audit is "accounts receivable." That item is a common cover for embezzlements.

The only way to verify it completely is to ask every debtor if he actually owes the company the amount shown on the books. The theory is that if he does not answer, the amount is correct.

Most auditors have always felt that this should be done, but the client frequently forbids it because of the expense, fear of irritating a customer by what the customer sometimes misinterprets as an unwarranted dun, or even because it would almost surely bring defalcations to light. The profession has, however, resolved that confirmation of notes and accounts receivable by direct communication with debtors shall be regarded as normal audit procedure, and that, if it has not been done, the auditor shall make suitable explanations in his report.

Audit reports commonly include various comments, and close with a certificate signed by the auditor. These are supposed to tell the reader clearly what the auditor did and did not do. They are important and worthy of as close study as the figures. But as Clem W. Collins, president of the American Institute of Accountants, says:

There is entirely too great a tendency to read the accountant's report Chinese fashion, beginning at the end—with the important difference that the reader too often does not read beyond the signature. If he finds the name of an accounting firm attached, especially if it is one he knows and in which he has confidence, he is satisfied. He assumes that everything is in order and that every figure in the report may be taken at face value, although the report may be full of warning signals and qualifications which are intended to guide the reader and put him on his guard.

The standard form of certificate used for corporations listed on the New York Stock Exchange and quite generally for small privately owned concerns when seeking credit reads:

We have examined or tested accounting records of the companies and other supporting evidence, and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year; but we did not make a detailed audit of the transactions.

Accountants maintain that the phrases I have italicized are intended to warn the reader that the auditors have not made an audit sufficient in scope to disclose collusive fraud. The public generally seems to have missed the point. And not only the lay public.

The Robert Morris Associates, a national association of bank credit men, has consistently criticized this certificate on the ground that the accountants tell what they have done, but do not express an opinion as to the adequacy of the examination or of the information obtained from it.

This criticism applies equally to the



Back of your
Independence stands
The Penn Mutual

The Penn Mutual Life Insurance Company's founders had the vision of financial independence through mutual protection, as the nation's founders had the vision of political independence through united action. This ideal has grown until today 400,000 policyholders own the Penn Mutual and know their financial independence is secure because of the Company's unwavering policy of sound investment. Always at their disposal, too, in maintaining this independence, are the knowledge of estate building and experienced counsel of thoroughly trained Penn Mutual representatives.

THE PENN MUTUAL LIFE INSURANCE COMPANY

WILLIAM H. KINGSLEY,
Chairman of the Board

FOUNDED 1847
INDEPENDENCE SQUARE, PHILADELPHIA, PA.

JOHN A. STEVENSON,
President



You can get a
BINDER
 for Your copies of
Nation's Business
 for only \$1

AN inexpensive way to bind your copies of NATION'S BUSINESS. This binder is strong, practical and simple to use. No punching or marring of the magazine is necessary. A click and the copy is in. Any issue can be removed without disturbing the other copies. Holds twelve issues.

Send your order today to
NATION'S BUSINESS
 WASHINGTON, D.C.



See
WOODSTOCK
 TYPEWRITER

comments in the body of the report. Take the McKesson & Robbins report again. Under the item of "inventories" was the conventional comment "certified as to quantity and condition by responsible officers." That, according to accounting doctrine, was definite notice that the auditors had not inspected or counted any part of the inventory, and so could not certify even to the *existence* of the merchandise which constituted 58 per cent of the company's current assets and 50 per cent of the total assets.

To most laymen, however, it was not a disclaimer or qualification.

"It meant to me," says an experienced investor, "that I had not only the auditor's word that the inventories were correct, but an additional safeguard in the assurance of responsible officers that the inventories were there and in good condition."

All qualifications are actually disclaimers of the auditor's responsibility for the correctness of the figures. But they are usually expressed in soothing, disarming terms. The examiners who studied the accounting implications of the McKesson & Robbins case for the Attorney General of New York, reported:

It is our opinion that nothing short of clear, unequivocal language on the face of the balance sheet, showing what the accountant has *not* done, will relieve the accountant of his moral, if not legal, responsibility in this regard.

By such language we do not mean qualifications such as "supported by certificates of responsible officials" or the statements obscured in the standard form of certificate, "we did not make a detailed audit of the transactions" and "obtained information and explanations from officers and employees of the company." We believe, rather, that the balance sheet should contain the statement, "Inventory has *not* been verified" or "accounts receivable were *not* tested or verified by direct communication."

There can be no dispute that such qualifications, given sufficient promi-

nence, would go further toward non-deception than the methods heretofore used.

Many auditors have always felt that a report should be a clean-cut statement. Col. Robert H. Montgomery, partner of Lybrand, Ross Bros. & Montgomery and author of many textbooks on accounting, says in his "Auditing Theory and Practice":

The certificate is not the place in which to apologize for failure to make a proper audit. The certificate must reflect the auditor's confidence in the scope and extent of the engagement.

Of course, when qualifications, exceptions, or explanations are necessary and in order they must go in without fear or favor. The author, however, has seen many certificates which were hedged about with all sorts of ambiguous qualifications in an evident attempt to save the auditor from responsibility arising from his certificate.

New form of certificate

REALIZING the strong public feeling against the standard form of certificate, the American Institute and the New York Society have worked out a new form which members are advised to use. I quote from the Institute's announcement:

"The phrase 'obtained information and explanations from officers and employees of the company' has been omitted because it is inherent in all auditing procedure." If, however, they are the only available sources of certain information, "the auditor must decide, in view of all the circumstances, whether he should rely upon such information without disclosure of the source."

The statement "but we did not make a detailed audit of the transactions" has also been omitted. "It is believed," says the Institute, "that the business and financial public now fully understands that, in a well organized concern, the detection of irregularities is primarily a

Property rights are human rights too!

H. Donald Campbell, President
 The Chase National Bank
 of the City of New York

"Let us not be led into error by the oft-repeated slogan, 'human rights before property rights.' Property rights are human rights, built out of the sweat and toil of millions and millions of our people who have labored all their lives that they and their families might live each year a better and a more abundant life. Let us remember that no party, no group, no man, has any patent on an easy road to a land of plenty."



matter of internal procedure and that testing and sampling to determine whether such procedure is adequate is the usual practice of the independent auditor. The negative statement disclaiming a detailed audit may therefore well be omitted."

The announcement continues:

Assuming that normal procedures have been carried out, it is considered to be neither necessary nor generally desirable to describe the details of the examination.

It should be borne in mind that the financial statements, with all supplemental descriptive and explanatory data including footnotes, are regarded as representations of the client. It is upon these representations that the independent certified public accountant renders his opinion. If he considers explanations essential or desirable, and they have not been made in the financial statements, it will be necessary for him to make such explanations in a separate paragraph of the report.

Any exceptions should be expressed clearly and unequivocally, as to whether it affects the scope of the work, any particular item of the financial statements, the soundness of the company's procedure as regards either the books or the financial statements, or the consistency of the accounting practices where lack of consistency calls for exception.

Public doesn't understand

THE profession has met the public criticism of weasel word qualifications by leaving them out of the certificate entirely. It has assumed that the business and financial public fully understands a lot of things which it simply does not understand—and likely never will.

I refer to such technicalities as internal checks and control, the scope of an audit, and the fact that much information is necessarily obtained from officers and employees.

A lot is left to the discretion of the auditors. They decide what they shall do in an audit and what explanations and comment they shall make. The public hoped that they would be *required* to do certain things—or to say definitely that they had not.

Constructive steps are that verification of inventories and accounts receivable has been made normal procedure, and that auditors are urged to express their comments in plain, unambiguous language.

Auditors do not claim that these changes in procedure will with certainty disclose collusive frauds. Only complete, detailed audits could do that—and such audits are impracticable for large companies.

After all, the mere fact that a company is regularly subjected to even routine audits usually discourages raids by all but the supremely self-confident desperado who has acquired a good reputation.

But auditors now approach a client's books in a spirit of suspicion. They "listen" more carefully to accounts and, to fit themselves for the new rôle of bloodhounds which the public demands, are cultivating their sensitivity to smells—especially bad smells.



-Group Insurance- the New Model

Provides Protection

To Employees in case of death, sickness, accident and retirement.

To Employees and their dependents in case of hospitalization and surgical expense.

Many employers are assisting their employees to enjoy the benefits of a comprehensive group program which

COSTS LITTLE but MEANS MUCH
in friendly cooperation

Employers' inquiries are invited

**The Prudential
Insurance Company of America**

Home Office, NEWARK, N. J.

Advertisement



Arnold Goeke

INTERNATIONAL BUSINESS MACHINES CORPORATION
World Headquarters Building, 590 Madison Avenue, New York, N. Y.



He Set a Trap for Lightning

STALKING thunderstorms is nothing unusual for Karl McEachron. He's done it for years—photographing lightning bolts, traveling miles to study struck trees and buildings, enticing lightning to strike his equipment so that it will write a record of its voltage and power. He even has in his laboratory a machine to imitate it—a 10-million-volt lightning generator like the one seen in action last year by two and a half million visitors to the G-E building at the New York World's Fair.

Dr. McEachron probably knows as much about lightning as anyone in the world. And at Pittsfield, Massachusetts, in the G-E High Voltage Laboratory, he and his associates are learning how to outwit this "outlaw" of nature—learning ways to keep it from interfering with your electric service. That's one reason why a passing thunderstorm isn't the signal for a "black-out" in your home, as it used to be. Your lights may blink, but they seldom stay out.

Karl McEachron is one of the hundreds of men in General Electric who are devoting their lives to making electricity more useful to you—are helping industry to improve its products and services, to sell them for less, and so make them available to more millions of people. These men are helping to raise the living standards of everyone by creating "More Goods for More People at Less Cost."

G-E research and engineering have saved the public from ten to one hundred dollars for every dollar they have earned for General Electric

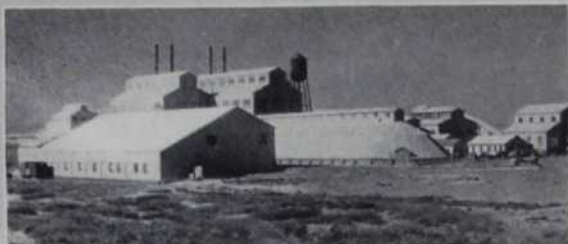
GENERAL  ELECTRIC

96-190M

Index of ADVERTISERS

January • 1940

	Page
Addressograph-Multigraph Corporation	69
Air Transport Association of America, Inc.	91
Aluminum Company of America	2nd Cover
American Credit Indemnity Co. of N. Y.	96
American Mutual Liability Insurance Company	6
American Telephone & Telegraph Company	14-81
Association of American Railroads	3
Burroughs Adding Machine Company	29
Carlton Hotel	110
Cast Iron Pipe Research Association	8
Charlevoix, City of	108
Chesapeake & Ohio Lines	77
Commercial Credit Company	103
Curtis Publishing Company	72-73
Detex Watchclock Corporation	88
Ediphone, The Thomas A. Edison, Inc.	71
Egry Register Company, The	102
Fairbanks, Morse & Company	2
Felt & Tarrant Mfg. Company	65
Ford Motor Company	1
Fruehauf Trailer Company	97
General Electric Company	114
Goodyear Tire & Rubber Company	12
Graff Co., George B.	110
Great American Insurance Co.	105
Hartford Fire Insurance Company	78-79
Hartford Steam Boiler Insp. & Ins. Co.	9
Heating & Ventilating Exposition, 6th International	110
Home Insurance Company, The	95
Household Finance Corporation	11
Insurance Company of North America	87
International Business Machines Corp.	113
International Harvester Company	4
Kimberly-Clark Corporation	83-84
Lennox Hotel	112
Liggett & Myers Tobacco Company	4th Cover
Loyalty Group	3rd Cover
Lumbermens Mutual Casualty Company	89
Marchant Calculating Machine Co.	98
Maryland Casualty Company	66
Massachusetts Mutual Life Insurance Co.	107
Mayfair Hotel	108
Metropolitan Life Insurance Co.	31
Monroe Calculating Machine Company	90
New York Life Insurance Co.	75
Norfolk & Western Railway Company	7
Northwestern National Life Insurance Company	99
Penn Mutual Life Insurance Co.	111
Pennsylvania, Commonwealth of	109
Pensacola, Florida, Municipal Advertising Board	108
Postage Meter Co., The	101
Prudential Insurance Company	113
Remington Rand, Inc.	116
Republic Rubber Company	92
St. Louis-San Francisco Railway	100
Santa Fe System Lines	115
Standard Accident Insurance Company	93
Texas Company, The	10
Woodstock Typewriter Company	112



America need not fear another "potash famine." Mines and plants like these, near Carlsbad, N. M., now produce hundreds of thousands of tons of Potash annually.



POTASH

Plenty in American Mines and Brines

The earliest colonists on the Atlantic seaboard set up tiny plants for leaching wood ashes. They boiled down the lye in open kettles. The residue was a white solid, used in making soap. They called that residue "potash," because it was made in pots, from ashes • Today potash enters into our daily lives in a hundred ways. The term is now applied to cover most of the compounds of potassium—a soft, light, silver-white metal of the alkali metal group. Immense quantities of potassium compounds, or potash, are used in the preparation of fertilizers. Potash, too, enters into the varied products of a score of industries, from soap and matches and medicines, to photographic supplies, textiles, explosives and glass • Commercial production of potash in America from wood ashes declined with the clearing of the land. Before our Civil War, potash salts had been found in German mines and brine wells, and that country became chief source of a chemical vital to modern agriculture and industry • The World War brought us a "potash famine," stimulated intensive search for adequate domestic supplies. Discovery and development of enormous potash deposits in the earth near Carlsbad, New Mexico, followed, supplemented by increasing production from the desert brine of Searles Lake.

- Over 50% of all American potash comes from the great mines near Carlsbad, New Mexico. Every ton produced there—thousands of carloads annually—travels long distances via Santa Fe rails • Long privileged to assist in solving its transportation problems, the Santa Fe pays high tribute to the courage and vision of all those, including the American Potash Institute, who have helped to develop this vital American industry.



Remington Rand *Announces* the FIRST...the ONLY **COMPLETELY ELECTRIFIED**

HERE is electricity in the most advanced form ever applied to a bookkeeping machine...not merely to drive a mechanism, but as an operating force in its own right—setting new records for speed and flexibility. This newest Remington Rand Bookkeeping Machine, like its thousands of predecessors today serving American industry from coast to coast, is dedicated to one big job: to help cut your bookkeeping costs. Use this one machine for receivables, payables, stock record, bank and trust accounting, payroll. It's the ideal machine for every accounting application!

BOOKKEEPING MACHINE with Automatic Balances!

**The MIRACLE of ELECTRICITY...
now for the FIRST time applied
to EVERY Bookkeeping
Machine Operation!**

Here's what YOU stand to gain
when you use this amazing new

Remington 285

1. Completely electrified numeral keys, alphabet keys, carriage, other operating features... higher daily production with far less fatigue... uniform, clear records at the slightest touch of the keys.

2. Complete flexibility of registers... giving you extra accumulations or quick change in capacity without rebuilding or replacing machine.

3. All registers, vertical and cross-computing, equipped with direct subtraction and visible at all times... instant corrections and an instant audit.

4. Complete visibility of all recorded information.

5. Fully automatic balance computing and printing—debit or credit, sub or full—*electrically*, by selenoids... gives you greater speed, greater flexibility on all accounting applications.

Every branch office is now equipped to show you this amazing combination of electricity and mechanics. Don't buy any bookkeeping machine until you've seen the Remington 285. Phone for your demonstration today!



Remington Rand Inc.

BUFFALO • NEW YORK

In Canada: 199 Bay Street, Toronto

WORLD'S LARGEST MAKERS OF ADDING AND BOOKKEEPING MACHINES, SYSTEMS AND EQUIPMENT

FIRE · MARINE · CASUALTY · SURETY

Loyalty Group

I N S U R A N C E

Year Years in
Organized Business

Policyholders' Surplus
December 31, 1938

1855	84	Firemen's Insurance Company of Newark, N. J.	\$17,877,070.
1853	86	The Girard Fire & Marine Insurance Company	2,525,770.
1866	73	National-Ben Franklin Fire Insurance Company	2,379,270.
1870	69	The Concordia Fire Insurance Co. of Milwaukee	2,772,903.
1852	87	Milwaukee Mechanics' Insurance Company	6,192,849.
1874	65	The Metropolitan Casualty Ins. Co. of N. Y.	2,682,233.
1909	30	Commercial Casualty Insurance Company	2,323,077.

UNDERWRITERS DEPARTMENTS

Pittsburgh Underwriters • Firemen's Underwriters • Keystone Underwriters

• SERVICE OFFICES •

— NATIONWIDE CONVENIENCE FOR ALL! —

Aberdeen, S. Dak.
Albany, N. Y.
Atlanta, Ga.
Baltimore, Md.
Birmingham, Ala.
Boston, Mass.
Bridgeport, Conn.
Buffalo, N. Y.
Charleston, W. Va.
Cleveland, Ohio
Columbia, S. C.
Columbus, Ohio
Denver, Colo.
Des Moines, Iowa
Detroit, Mich.
Fargo, N. Dak.
Fremont, Nebr.
Great Falls, Mont.
Greensboro, N. C.

Harrisburg, Pa.
Hartford, Conn.
Indianapolis, Ind.
Kansas City, Mo.
Little Rock, Ark.
Los Angeles, Calif.
Louisville, Ky.
Milwaukee, Wis.
Minneapolis, Minn.
Montreal, Que.
Nashville, Tenn.
Newark, N. J.
New Orleans, La.
New York, N. Y.
Oakland, Calif.
Oklahoma City, Okla.
Orlando, Fla.
Philadelphia, Pa.
Phoenix, Ariz.

Pittsburgh, Pa.
Portland, Me.
Portland, Oreg.
Providence, R. I.
Richmond, Va.
Rochester, N. Y.
Salt Lake City, Utah
San Diego, Calif.
Seattle, Wash.
Spokane, Wash.
Springfield, Ill.
Springfield, Mass.
St. Louis, Mo.
Topeka, Kans.
Trenton, N. J.
Vancouver, B. C.
Washington, D. C.
Winnipeg, Manit.
Worcester, Mass.

WESTERN DEPARTMENT
844 Rush Street
Chicago, Illinois

CANADIAN DEPARTMENTS
461 Bay St., Toronto, Ontario
404 West Hastings St., Vancouver, B. C.


HOME OFFICE
10 Park Place
Newark, New Jersey



FOREIGN DEPARTMENT
111 John St.
New York, New York

PACIFIC DEPARTMENT
220 Bush Street
San Francisco, Calif.

SOUTHWESTERN DEPARTMENT
912 Commerce Street
Dallas, Texas



Watch the change to Chesterfield
says **DONNA DAE**
CHESTERFIELD'S JANUARY GIRL
starring with
FRED WARING'S PENNSYLVANIANS

FORECASTING MORE SMOKING PLEASURE FOR 1940

Chesterfield

Change to Chesterfields and you'll get
what you want...*real mildness and better taste.*
You can't buy a better cigarette.